

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)



20
23

INTERIM
REPORT

CONTENTS

- 2 Corporate Information
- 4 Financial Summary
- 5 Management Discussion and Analysis
- 20 Other Information
- 27 Report on Review of Interim Condensed Consolidated Financial Statements
- 28 Interim Condensed Consolidated Statement of Profit or Loss
- 29 Interim Condensed Consolidated Statement of Other Comprehensive Income
- 30 Interim Condensed Consolidated Statement of Financial Position
- 32 Interim Condensed Consolidated Statement of Changes in Equity
- 33 Interim Condensed Consolidated Statement of Cash Flows
- 35 Notes to Interim Condensed Consolidated Financial Information
- 58 Definitions



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

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

Mr. FAN Yingjie

Non-executive Director

Mr. ZHANG Shengyan

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

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HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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Hong Kong

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China Guangfa Bank
Shenzhen Branch, Binhai Sub-branch

China Merchants Bank
Shenzhen Branch, Weisheng Building
Sub-branch

Guangdong Huaxing Bank
Shenzhen Branch

China Everbright Bank
Shenzhen Futian Branch

COMPANY'S WEBSITE

<http://www.cmge.com>

STOCK CODE

0302

FINANCIAL SUMMARY

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	1,535,444	1,232,764
Profit/(loss) for the period	50,995	(25,408)
Profit/(loss) for the period attributable to owners of the parent	56,824	(21,901)
Adjusted net profit/(loss) ⁽¹⁾	76,168	(15,654)
Basic and diluted earnings/(loss) per Share (RMB)	2.06 cents	(0.79) cents
Adjusted basic and diluted earnings/(loss) per Share (RMB) ⁽¹⁾	2.77 cents	(0.57) cents

	As at	As at
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Total assets	7,064,663	7,153,754
Total liabilities	1,266,248	1,461,871
Total equity	5,798,415	5,691,883

Note:

1. "Adjusted net profit/(loss)" is not defined under the HKFRS. It is defined by the Group as net profit/(loss) attributable to owners of the parent excluding equity-settled share-based expense which is not operating and recurring in nature. The adjusted net profit/(loss) can more closely reflect the Group's operating results, after excluding the above-mentioned non-operating item. "Adjusted basic and diluted earnings/(loss) per Share" are the Group's adjusted net profit/(loss) divided by the weighted average number of Shares in issue during the six months ended 30 June 2022 and 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Leveraging its advantages and accumulation in the field of game publishing and research and development, and by integrating its own advantageous IP resources, the Group has established three major business segments, namely IP game development and global publishing, proprietary IP operation and Chinese-style metaverse platform, and has created the core competitive IP game ecosystem of "IP resources – self-development and joint development – global publishing – proprietary IP operation – Chinese-style metaverse platform (IP資源 – 自主研發與聯合研發 – 全球發行 – 自有IP運營 – 國風元宇宙平台)". As of 30 June 2023, the Group owns a vast IP reserve of a total of 123 IPs, comprising 55 licensed IPs and 68 proprietary IPs. In 2023, as the issuance of game licences in the Mainland remained normalised, licences have been obtained in respect of a number of the games of the Group. During the first half of 2023, the Group has launched 8 new mobile games which injected new energy into the Group's game business. Meanwhile, a number of self-developed games have entered the testing stage before launch. With the rapid development of artificial intelligence generated content ("AIGC") technology, the Group has promptly applied it to self-development and publishing business, which improved the efficiency of game research and development and publishing as well as reduced the cost of research and development and publishing, fully achieving cost reduction and high efficiency. During the first half of 2023, the Group has successfully turned the loss into profit. Revenue of the Group for the six months ended 30 June 2023 ("Reporting Period") was RMB1,535.4 million, representing a period-on-period increase of 24.6%, and the Group realised an adjusted net profit of RMB76.2 million.

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	
	2023	2022
Average MAUs (thousands)	15,627	12,780
Average MPUs (thousands)	1,132	941.4
ARPPU (RMB)	226.1	218.3
Total new registered users (thousands)	48,683	38,367

IP Game Research and Development and Global Publishing Segment

Global Publishing of IP Games

A role playing card game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) published by the Group and based on *Legend of Sword and Fairy* (仙劍奇俠傳), the Group's proprietary IP, has been launched in June 2023. With the features of the unique card + RPG + SLG diversified gameplay integration, it has gained strong pursuit from the majority of players. Before the game was launched, the number of reservations on all major platforms exceeded 8 million, and it ranked first in the Top Free Game List and ranked fourteenth in the Best Selling Game List of Apple's App Store in Mainland China during the first month of its launch, as well as receiving Mobile Hardcore Alliance's Super Star Recommendation. The mobile game *Ultraman: The Gathering* (奧特曼:集結), adapted from the official licensed IP of the original Ultraman series produced and licensed by Tsuburaya Productions Co., Ltd. (日本圓谷株式會社) in Japan, researched and developed by Hainan Hemera Information Technology Co., Ltd. (海南赫墨拉信息科技有限公司) ("Hainan Hemera"), a company in which the Group has invested, and launched in Mainland China in January 2023, was ranked second in the Top Free Game List of Apple's App Store in Mainland China during the first month of its launch. *Swallowed Star: Dawn* (吞噬星空:黎明), a mobile game researched and developed by the Group's investee company Guangzhou Maiji Information Technology Co., Ltd. (廣州麥吉信息科技有限公司) with China Literature Limited's (閱文集團) first heavyweight IP *Swallowed Star* (吞噬星空) as the basis, has been launched in April 2023. It ranked first in the Top Free Game List and thirty-seventh in the Best Selling Game List of Apple's App Store in Mainland China during the first month of its launch,

MANAGEMENT DISCUSSION AND ANALYSIS

as well as receiving Mobile Hardcore Alliance's Super Star Recommendation. The mobile card game *Cultivation Fantasy* (我的御劍日記), which was researched and developed by Love Games (Shanghai) Internet Technology Co., Ltd. (樂府互娛(上海)網絡科技有限公司), a company in which the Group has invested, has been launched in May 2023. It ranked first in the TapTap's Popular List, third in the Top Free Game List and twenty-first in the Best Selling Game List of Apple's App Store in Mainland China during the first month of its launch. *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) and *Soul Land: God of Battle Arise* (斗羅大陸:鬥神再臨) which were published by the Group, and games jointly produced by the Group with third parties like *One Piece: The Voyage* (航海王熱血航線) and *Dynasty Warriors: Hegemony* (真·三國無雙霸), and other games which were previously launched and operated, continued to contribute to the revenue and profits of the Group in 2023.

Self-Development

The Group continued to increase the investment in its research and development business. During the first half of 2023, the Group invested in research and development with an amount of RMB266.9 million, which represented a period-on-period increase of 30.6%. *Legend of Sword and Fairy: World* (仙劍世界), which is self-developed by the Group's Mantianxing Studio (滿天星工作室), is China's first open world metaverse game featuring the Chinese fairy and hero theme. *Legend of Sword and Fairy: World* (仙劍世界) adopts eight innovative points of technological advantages, including 24-hour lighting, weather change system, real water flow effect, artificial intelligence ("AI") non-player character ("NPC"), open world technology, simultaneous online technology for millions of players, high definition model-making and multi-dimensional character customisation and user-generated content ("UGC") creation tools, which support players to have cross-platform experience on mobile, PC, cloud, console and virtual reality ("VR"), without being constrained by platform and device, and providing players ultra-strong "immersive" playing experience anytime and anywhere. The game, *Legend of Sword and Fairy: World* (仙劍世界), has obtained licence in June 2023, and was publicly revealed for the first time in the same month, which received excellent feedback from massive players and is expected to be officially launched in 2023.

The King of Fighters: All Stars (全明星激鬥)(Name in overseas region: *SNK: All Stars Fight* (SNK:格鬥世代)), a 3D mobile game self-developed and published by the Group with multiple series officially licensed from SNK Corporation, was launched in Hong Kong, Macau, Taiwan, Singapore and Malaysia in February 2023. During the first month of its launch, it ranked first in the Top Free Game List and the fifth highest in the Best Selling Game List of Apple's App Store and the first highest in the Top Free Game List of Google Play Store.

For eSports games, the Group invested and obtained control in Shanghai Zhoujing Network Technology Co., Ltd. (上海洲競網絡科技有限公司) ("Shanghai Zhoujing") in 2022. The research and development target of its project under development, *Street Basketball* (全民街籃), is to create a PC-end eSports quality game, upon the launch of which the Group will organise influential eSports events around the game. The research and development of *Street Basketball* (全民街籃) is currently completed with a licence obtained in May 2023. Multiple rounds of testing will be initiated in the next stage and the game is expected to be launched in 2023.

The mobile game *World of Castellan* (城主天下) which is self-developed by Wenmai Hudong, a wholly-owned subsidiary of the Group, has successfully obtained the licence in February 2023. The game has currently entered the final testing stage and it is planned to be exclusively published by 37 Interactive Entertainment (三七互娛) in the mainland market in the second half of 2023. Beijing Softstar, a wholly-owned subsidiary of the Group, launched a self-developed game *Legend of Sword and Fairy 7* (仙劍奇俠傳七) in the second half of 2021. As of 30 June 2023, its PC version reached a sales volume of over 550,000; its cloud gaming version reached a sales volume of over 210,000, and its console version was launched in Hong Kong, Macau, Taiwan, Southeast Asia, Japan and North America in August 2022. As of 30 June 2023, its console version achieved a sales volume of over 90,000. The PC game self-developed by Beijing Softstar, *Monopoly 11* (大富翁11), subsequent to its launching on Steam and Switch platforms in October 2022, obtained its licence in March 2023 and was launched on WeGame and Steam China (蒸汽平台) platforms in June 2023. As of 30 June 2023, *Monopoly 10* (大富翁10) and *Monopoly 11* (大富翁11) recorded a global sales volume of over 1,630,000 and 270,000, respectively.

Proprietary IP Operation Segment

In the first half of 2023, revenue derived from the Group's IP licensing amounted to approximately RMB59.8 million. The Group established a strong presence for the cooperation of the *Legend of Sword and Fairy* (仙劍奇俠傳) IP throughout the industry chain, covering games, films and television, comics and animation, content literature, music, derivatives and real scene entertainment, and collaborated with top partners in related fields to jointly build the *Legend of Sword and Fairy* (仙劍) IP universe. The *Legend of Sword and Fairy*'s first fan community, the *Sword and Fairy Alliance* (仙劍聯盟), has been opened for users' registration since April 2023.

Sword and Fairy: Wen Qing (新仙劍奇俠傳之揮劍問情), a role playing card game, has been successfully launched by the Group in June 2023. *Legend of Sword and Fairy: World* (仙劍世界), self-developed by the Group's Mantianxing Studio (滿天星工作室), is China's first open world game featuring the Chinese fairy and hero theme. It is currently in the testing stage. The idle game *Legend of Sword and Fairy: A New Beginning* (仙劍奇俠傳:新的開始) which was co-developed by the Group and Kingnet (愷英網絡), has obtained a licence and will be launched in 2023. The large scale MMORPG mobile game, *Legend of Sword and Fairy • Yuanqi* (仙劍•緣起) developed by the Group and Alibaba's Lingxi Games (靈犀互娛), has entered the final stage of testing.

Following the successful launch of the game *Legend of Sword and Fairy 4 VR* (仙劍奇俠傳四VR), the Group cooperated with Immersive World (沉浸世界) and launched the VR game *Legend of Sword and Fairy 1 VR* (仙劍奇俠傳一VR) in 2022. The Group entered into a strategic cooperation with DPVR (大朋VR), a terminal enterprise of VR. The Group also entered into cooperation with PICO, a XR brand under ByteDance (字節跳動). The VR game of *Legend of Sword and Fairy* (仙劍奇俠傳) is expected to be launched on DPVR and PICO VR platform in 2024.

In terms of films and television, the Group has reached a long-term strategic cooperation with Tencent Video on the *Legend of Sword and Fairy* (仙劍) IP. The shooting of films and television series, *Legend of Sword and Fairy 1* (仙劍奇俠傳一), which was co-produced by the Group and Tencent Video, has been completed in 2022, and is expected to be broadcasted in 2023. Tencent Video will further cooperate with the Group to produce film and television series of *Legend of Sword and Fairy 3* (仙劍奇俠傳三). 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), cooperated by the Group with Tencent Video, are being produced. The animation series of *Legend of Sword and Fairy 3* (仙劍奇俠傳三) is expected to be broadcasted in the summer of 2024. Meanwhile, the *Sword and Fairy World* (仙劍世界) will also become an important part of the co-creation process of the Group and Tencent Video in terms of the Chinese fairy and hero theme. Both parties give full play to their respective resource advantages and jointly promote this signature game with the Chinese fairy and hero theme. The shooting of film and television series of *Legend of Sword and Fairy 4* (仙劍奇俠傳四), which was co-produced by the Group and iQiyi (愛奇藝), and film and television series of *Legend of Sword and Fairy 6* (仙劍奇俠傳六), which was co-produced by the Group and Shandong Film and Television Production Co., Ltd. (山東影視製作股份有限公司) ("Shandong Film and Television"), the producer of popular television dramas such as *Nirvana in Fire* (琅琊榜) and *The Disguiser* (偽裝者), have been completed in 2022, and are expected to be broadcasted in 2023. The internet movie *Jiu Jian Xian* (酒劍仙) co-produced by the Group and Jetsen (捷成世紀) is scheduled to be released in the second half of 2023. In July 2023, the Group successfully held the 28th Anniversary of *Legend of Sword and Fairy* (仙劍奇俠傳) through livestreaming on Bilibili, delivering extensive visual and audio experiences to players. After the publication of the novel of *Legend of Sword and Fairy 4* (仙劍奇俠傳四), the second physical book of Legend of Sword and Fairy (仙劍) series, *Legend of Sword and Fairy 1* (仙劍奇俠傳一), has been submitted to the press for publication in May 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2023, the Group collaborated with Good Smile Arts (良笑塑美), Pantasy (拼奇積木), Reverse Studio (逆轉工作室) and other well-known partners to jointly launch Chinese-style fashionable model plays, including Nendoroid Descendants of Nuwa (黏土人女媧後人), figure of Liu Mengli (柳夢璃手辦), the 98 edition of Legend of Sword and Fairy · Blocks in Single Machine Era (仙劍98版·單機時代積木), square head blocks for main characters of *Legend of Sword and Fairy* (仙劍) series, figure of Zhao Linger of Shi Hua Ji (趙靈兒拾花集手辦), and will cooperate 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, TriEagles Studio, Myethos, Light Year Studio (光年工作室), Huwan (胡玩文化), MCS D (模潮時代) and other renowned model play companies to launch Xiao Ya Ji (小雅集) – statue of Zhao Linger (趙靈兒), figure of A Nu (阿奴), statue of Zhao Linger (趙靈兒), *Legend of Sword and Fairy* (仙劍) Gift + series of figures, statue of Zixuan (紫萱), statue of Kuiyu (魁予), action figure of soldier of Lin Yueru (林月如), statue of Nuwa · Dream of Snake (女媧聖靈·夢蛇) and other figures.

Chinese-style Metaverse Platform - Sword and Fairy World (仙劍世界)

Legend of Sword and Fairy: World (仙劍世界), which was self-developed by the Group's Mantianxing Studio (滿天星工作室), opened for reservation in April 2023. Its first reality gameplay demo ("Real machine PV") was released on 27 April 2023. Leveraging the research and development team's rich experience and knowledge in open world RPG technology and virtual reality technology, and blending users' original creative content and the extensive social networking functions, the game will provide players with a highly differentiated immersive experience. In the World of the *Legend of Sword and Fairy* (仙劍大世界), players can engage in their development and evolution with different

virtual identities, choose the ways of living, playing and socialising in the World of the *Legend of Sword and Fairy* (仙劍大世界) based on their own thoughts, and explore the world of game as they wish and dream.

The Group became the first ecosystem partners of ERNIE Bot (文心一言) of Baidu in February 2023, and the leading intelligent conversation technology results of Baidu will be applied in the field of open world games. This also symbolises that *Legend of Sword and Fairy: World* (仙劍世界), a game which is researched by the Group, and an open world metaverse game featuring the Chinese fairy and hero theme, will be preferentially supported by the leading AI technology. In May 2023, the Group reached a wide range of cooperation with Microsoft in cloud computing, big data, Azure OpenAI and other information technology areas. *Legend of Sword and Fairy: World* (仙劍世界) will be firstly equipped with the AI large model technology locally. The Group will conduct customised optimisation and trainings on special large language model of *Legend of Sword and Fairy: World* (仙劍世界), which can provide players with a more immersive game experience. *Legend of Sword and Fairy: World* (仙劍世界) realises the function of NPC interaction through AI. NPC can acquire individual background stories and personalities, and is able to communicate with players freely. NPC can react to the pre-set personalities, and thus affecting the subsequent plot development of the game. Through the integration of AIGC technology, *Legend of Sword and Fairy: World* (仙劍世界) aims to provide an immersive experience of "everything can be interacted" to players. The UGC creation tool, combined with AI technology, will enable users to create rich content at a lower cost and better convenience.

The *Legend of Sword and Fairy: World* (仙劍世界) has obtained the licence of both mobile phone and PC in June 2023 and several rounds of testing will begin in the second half of 2023 before launch.

Award and Recognition

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

Award/Recognition	Date of Award	Awarding Institution/Authority
Outstanding Contribution of "Golden Diamond Award" 2022 (金鑽榜2022年度突出貢獻獎)	February 2023	The Department of Culture and Tourism of Guangdong Province (廣東省文化和旅遊廳), Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會)
Social Responsibility of "Golden Diamond Award" 2022 (金鑽榜2022社會責任獎)	February 2023	The Department of Culture and Tourism of Guangdong Province (廣東省文化和旅遊廳), Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會)
2022 Innovative Enterprise in Game Industry (2022年度遊戲行業精益創新企業)	April 2023	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)
2022 Best Overseas Game - Dynasty Warriors: Hegemony (2022年最佳出海遊戲《真·三國無雙霸》)	April 2023	Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會)
Best Game of "3D (Character/Scene) Art Design Award" - The King of Fighters: All Stars (最佳遊戲3D(人物/場景)美術設計獎《全明星激鬥》)	April 2023	China Joy (Howell International Trade Fair Ltd. (上海漢威信恒展覽有限公司))
Outstanding Game of the Year - Rakshasa Street: Chosen One (年度傑出遊戲《鎮魂街:天生為王》)	April 2023	Huawei Cloud (華為雲)

Social Responsibility

The Group has always fulfilled its social responsibility in different dimensions. Having supported the “CMGE Dream Libraries (中手游築夢圖書館)” project for a long time to promote reading among the youth, the Group has steadily pushed forward the project, and set up the eleventh “CMGE Dream Libraries (中手游築夢圖書館)” at Banbidian Central Primary School (半壁店中心小學), Yangjinzhuang Town, Jizhou District, Tianjin in March 2023. The Group was also recognised as an “Outstanding Social Responsibility Performance Enterprise (社會責任表現相對突出的企業)” at the 2022-2023 Game Responsibility Forum (2022-2023遊戲責任論壇) hosted by People’s Daily Online (人民網), as well as the “Social Responsibility Award 2022 (2022年度社會責任獎)” issued by the Department of Culture and Tourism of Guangdong Province (廣東省文化和旅游廳) and Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會).

The Group strictly follows the relevant national policies, and all published games are embedded with a real-name authentication system, an anti-addiction system and age limit reminders. To strictly observe the new regulations of the National Press and Publication Administration on preventing addiction for minors, the Group only provides one hour of online gaming service to minors from 8:00 pm to 9:00 pm on Fridays, Saturdays, Sundays and statutory holidays, striving to ensure the healthy growth of minors. All games under the Group have rules restricting the spending by minors. Players under the age of 12 are prohibited from making payments in the games under the Group; minors between the ages of 12 and 16 may not spend more than RMB50 in a single top-up in the games under the Group, and the cumulative monthly recharge amount shall not exceed RMB200; minors between the ages of 16 and 18 may not spend more than RMB100 in a single top-up in the games under the Group, and the cumulative monthly top-up amount shall not exceed RMB400. In 2023, 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 2023

Global Publishing Plan of IP Games

As the Group’s various important games have obtained licences, the Group has formulated a detailed game publishing plan for achieving growth of results in 2023. The Group will launch *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院), which is the first massive multi-player role playing game (MMORPG mobile game) developed based on the *Soul Land* (斗羅大陸) IP in Mainland China in the second half of 2023, and *Country Love Story* (鄉村愛情故事), a simulation mobile game adapted from *Country Love* (鄉村愛情) IP in the second half of 2023.

For the Hong Kong, Macau and Taiwan and overseas markets, *Rakshasa Street: Chosen One* (鎮魂街:天生為王), a hugely successful mobile game in Mainland China, is expected to be launched in Hong Kong, Macau and Taiwan in the second half of 2023. The game *Dynasty Warriors: Hegemony* (真•三國無雙霸) is expected to be launched in Japan, Europe and the United States in the second half of 2023.

Meanwhile, the development of three mobile games, being *Soul Land: Space and Time Reversal* (斗羅大陸:逆轉時空), *Fights Break Firmament: Peak Confrontation* (斗破蒼穹:巔峰對決) and *Daily Life of Chat Group* (聊天群的日常生活), which are developed respectively by companies in which the Group has invested, namely Love Games (Shanghai) Internet Technology Co., Ltd. (樂府互娛(上海)網絡科技有限公司), Shenzhen EZfun Interactive Technology Co., Ltd. (深圳易帆互動科技有限公司) and Beijing Xinrui Mutual Entertainment Technology Co., Ltd. (北京新芮互娛科技有限公司), and published exclusively by the Group, has been completed. Such games have entered testing stage and they are expected to be launched in 2024. Various games to be published exclusively by the Group, such as *New Romance of the Three Kingdoms: The Legend of Cao Cao* (新三國志曹操傳), *Code: Dream Works All-Stars* (代號:夢工廠全明星) and *Code: New Rakshasa Street* (代號:新鎮魂街), are also expected to be launched in 2024.

Self-Development of Games and Launch Arrangements

Dynasty-themed strategic mobile game *World of Castellan* (城主天下), which is self-developed by Wenmai Hudong, a wholly-owned subsidiary of the Group, has entered the stage of final testing, and successfully obtained the licence in February 2023, and is planned to be exclusively published by 37 Interactive Entertainment (三七互娛) in the second half of 2023. For games on eSports front, *Street Basketball* (全民街籃), the PC-end eSport game under development by the Group's holding subsidiary Shanghai Zhoujing, has completed its research and development and successfully obtained the licence, and has entered the final testing stage before being launched. It is expected to be launched in 2023. *The King of Fighters: All Stars* (全明星激鬥), *The World of Legend - Thunder Empire* (傳奇世界之雷霆霸業), *Legend of Dragon City* (龍城傳奇) and card and board games that have been launched and operated by the Group will continue to iterate and upgrade, and enhance their contributions to the revenue of the Group for the stable operating period.

Proprietary IP Operation

The Group will be constantly committed to enhancing the value and boosting the vitality and influence of *Legend of Sword and Fairy* (仙劍奇俠傳) IP.

The Group will cooperate with Weiling Times (蔚領時代), a leading cloud service provider invested by the Group, to conduct ecology strategic cooperation in joint construction of mixed reality ("MR") content and jointly develop a MR interaction game of the *Legend of Sword and Fairy* (仙劍奇俠傳) IP with cinematic level that overturns traditional game experience. The Group and Weiling Times (蔚領時代) will jointly launch Li Xiao Yao (李逍遙), Zhao Linger (趙靈兒), Long Kui (龍葵) and other classic virtual characters, and accelerate the production of abundant game content services for the *Legend of Sword and Fairy: World* (仙劍世界), a cross-end open world and metaverse game with Chinese-style self-developed by the Group based on the game production pipeline under the brand-new AI paradigm of Weiling Times (蔚領時代). The Group will promote *Legend of Sword and Fairy 1* (仙劍奇俠傳一), which was cooperated by the Group and Tencent Video, *Legend of Sword and Fairy 4* (仙劍奇俠傳四), which was cooperated by the Group and

iQiyi (愛奇藝), and *Legend of Sword and Fairy 6* (仙劍奇俠傳六), which was co-produced by the Group and Shandong Film and Television to be released during the period from 2023 to 2024. The novel of *Legend of Sword and Fairy* (仙劍奇俠傳) series Yao Tai Xue (瑤台雪) will also be released in 2023. The new edition of the novel *Legend of Sword and Fairy 1* (仙劍奇俠傳一), the novel *Legend of Sword and Fairy 2* (仙劍奇俠傳二), *Xian Xia Zhuan* (仙霞傳) and *Qiong Hua Hou Zhuan* (瓊華後傳) are in the process of creation. After the significant success of The Legend of Sword and Fairy Chinese Traditional Festival Figures Series, the first blind boxes series launched by the Group with Pop Mart (泡泡瑪特), the Group will continue to cooperate with Pop Mart (泡泡瑪特) in 2023 and launch the second blind boxes series The Legend of Sword and Fairy Chinese Traditional Musical Instrument Figures Series.

Focusing on the future, the Group will create more high-quality content targeted for young consumers who are interested in *Legend of Sword and Fairy* (仙劍) IP and Chinese-style elements by various means, so as to 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.

Chinese-style Metaverse Platform - Sword and Fairy World (仙劍世界)

The *Sword and Fairy World* (仙劍世界) obtained the licences for both mobile phone and PC in June 2023 and the Group will carry out multiple rounds of testing and publicity in the second half of 2023. The Group will endeavour to promote launching this game in 2023. Please look forward to it!

Being a company that is full of passion and creativity, 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)". The Group has been striving to promote China's wonderful traditional culture and socialist values, and to become a responsible practitioner and a promoter of cultural values. Thank Shareholders and investors for your consistent support.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2023 together with unaudited comparative figures for the six months ended 30 June 2022:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	1,535,444	1,232,764
Cost of sales	(1,019,249)	(731,801)
Gross profit	516,195	500,963
Other income and gains, net	69,573	29,740
Selling and distribution expenses	(120,324)	(114,635)
Administrative expenses	(351,732)	(312,522)
Impairment losses on financial and contract assets, net	(35,114)	(9,168)
Other expenses	(35,674)	(90,678)
Finance costs	(9,859)	(16,340)
Share of loss of a joint venture	—	(54)
Share of profits and losses of associates	9,507	(6,678)
Profit/(loss) before tax	42,572	(19,372)
Income tax credit/(expense)	8,423	(6,036)
Profit/(loss) for the period	50,995	(25,408)
Attributable to owners of the parent	56,824	(21,901)
Attributable to non-controlling interests	(5,829)	(3,507)
Adjusted net profit/(loss)⁽¹⁾	76,168	(15,654)

Note:

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

Adjusted net profit/(loss)

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit/(loss) for the period attributable to owners of the parent	56,824	(21,901)
Add:		
Equity-settled share-based expense	19,344	6,247
Adjusted net profit/(loss)	76,168	(15,654)

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			
	2023 RMB'000 (Unaudited)		2022 RMB'000 (Unaudited)	
		%		%
Game publishing	1,217,004	79.3	1,019,941	82.7
Game development	258,634	16.8	182,064	14.8
IP Licensing	59,806	3.9	30,759	2.5
Total	1,535,444	100.0	1,232,764	100.0

The Group's revenue increased by approximately 24.6% from RMB1,232.8 million for the six months ended 30 June 2022 to RMB1,535.4 million for the six months ended 30 June 2023. This increase was primarily attributable to several new games of the Group, such as *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), *Rakshasa Street: Chosen One* (鎮魂街:天生為王), *Cultivation Fantasy* (我的御劍日記), *Swallowed Star: Dawn* (吞噬星空:黎明) and *Ultraman: The Gathering* (奧特曼:集結), which have been launched in the first half of 2023 as scheduled have brought an increase in revenue from the game publishing business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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 famous IPs held by third-party game developers and the Group; and (iii) commissions charged by IPs. 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			
	2023		2022	
	RMB'000 (Unaudited)	% to Revenue	RMB'000 (Unaudited)	% to Revenue
Commissions charged by channels and CPs	827,683	53.9	590,119	47.9
Commissions charged by IPs	46,372	3.0	47,145	3.8
Amortisation of IP royalties	35,715	2.3	8,595	0.7
Amortisation of game royalties	12,323	0.8	11,010	0.9
Others	97,156	6.4	74,932	6.1
Total	1,019,249	66.4	731,801	59.4

The Group's cost of sales increased by approximately 39.3% from RMB731.8 million for the six months ended 30 June 2022 to RMB1,019.2 million for the six months ended 30 June 2023. The increase was primarily attributable to (i) the increase in the Group's overall revenue, resulting in an increase in the commissions charged by channels and CPs accordingly; (ii) the launch of the games *Cultivation Fantasy* (我的御劍日記) and *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) during the Reporting Period by the cooperative publishing channels, which has resulted in an increase in commissions shared by the Group and the publishing channels; and (iii) the publishing of various IP games during the Reporting Period, such as *Ultraman: The Gathering* (奧特曼:集結), which has resulted in a 315.5% increase in amortisation of IP royalties from RMB8.6 million for the six months ended 30 June 2022 to RMB35.7 million for the six months ended 30 June 2023.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by approximately 3.0% from RMB501.0 million for the six months ended 30 June 2022 to RMB516.2 million for the six months ended 30 June 2023. The Group's gross profit margin decreased from 40.6% for the six months ended 30 June 2022 to 33.6% for the six months ended 30 June 2023. The decrease in gross profit margin was mainly due to the launch of the games *Cultivation Fantasy* (我的御劍日記) and *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) by the Group during the Reporting Period by the cooperative publishing channels, which has resulted in an increase in commissions shared by the Group and the publishing channels.

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			
	2023		2022	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Bank interest income	970	1.4	3,531	11.9
Government grants	11,848	17.0	17,477	58.8
Fair value adjustment of contingent consideration for business combination	—	—	3,949	13.3
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 differences, net	7,088	10.2	1,917	6.4
Others	14,337	20.6	2,866	9.6
Total	69,573	100.0	29,740	100.0

The Group's other income and gains increased by approximately 133.9% from RMB29.7 million for the six months ended 30 June 2022 to RMB69.6 million for the six months ended 30 June 2023. The increase was primarily attributable to (i) certain research and development companies in which the Group invested having a good performance during the Reporting Period and recording an increase in fair value, and the value of stock of certain listed companies held by the Group increased, thereby increasing the fair value gains on financial assets at fair value through profit or loss; and (ii) distribution of dividends from certain investments of the Group 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			
	2023		2022	
	RMB'000 (Unaudited)	% to Revenue	RMB'000 (Unaudited)	% to Revenue
Marketing expenses	100,988	6.5	91,220	7.4
Salaries and benefits	13,304	0.9	21,535	1.7
Office costs and utilities	3,008	0.2	1,279	0.1
Others	3,024	0.2	601	0.1
Total	120,324	7.8	114,635	9.3

The Group's selling and distribution expenses increased by approximately 5.0% from RMB114.6 million for the six months ended 30 June 2022 to RMB120.3 million for the six months ended 30 June 2023. The increase was primarily attributable to the publishing of various games by the Group during the Reporting Period, resulting in an increase in 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			
	2023		2022	
	RMB'000 (Unaudited)	% to Revenue	RMB'000 (Unaudited)	% to Revenue
Salaries and benefits	49,069	3.2	53,216	4.3
Office costs and utilities	34,445	2.2	54,154	4.4
Research and development expenses	266,859	17.4	204,309	16.6
Others	1,359	0.1	843	0.1
Total	351,732	22.9	312,522	25.4

The Group's administrative expenses increased by approximately 12.5% from RMB312.5 million for the six months ended 30 June 2022 to RMB351.7 million for the six months ended 30 June 2023. The increase was primarily attributable to the increase in the Group's investment in the research and development business. The research and development expenses increased by approximately 30.6% from RMB204.3 million for the six months ended 30 June 2022 to RMB266.9 million for the six months ended 30 June 2023.

Impairment losses on financial and contract assets, net

The Group's impairment losses on financial and contract assets mainly represent impairment losses on trade receivables and other receivables under the relevant management policies of the Group adopted in accordance with HKFRS 9. The amount has increased by 283.0% to RMB35.1 million for the six months ended 30 June 2023, which mainly included impairment of trade receivables of approximately RMB52.9 million and a reversal of expected credit loss of other receivables of approximately RMB17.7 million, from RMB9.2 million for the six months ended 30 June 2022.

Other expenses

The Group's other expenses decreased by approximately 60.7% from RMB90.7 million for the six months ended 30 June 2022 to RMB35.7 million for the six months ended 30 June 2023. The decrease was primarily attributable to (i) the Group's fair value losses on financial assets at fair value through profit or loss turning into gains during the Reporting Period; and (ii) decrease in impairment losses on other intangible assets.

Finance costs

The Group's finance costs mainly consist of interest expenses and have decreased by approximately 39.7% from RMB16.3 million for the six months ended 30 June 2022 to RMB9.9 million for the six months ended 30 June 2023 mainly due to the Group's repayment of parts of the bank borrowings during the Reporting Period and therefore resulting in a decrease in relevant interest expenses.

Share of loss of a joint venture

As at 30 June 2023, the Group held a 60% equity interest in Shenzhen Boliang Technology Co., Ltd. (深圳博良科技有限公司), which is considered as a joint venture of the Group under applicable accounting policies. The Group's share of loss of a joint venture decreased by 100.0% from RMB54,000 for the six months ended 30 June 2022 to nil for the six months ended 30 June 2023.

Share of profits and losses of associates

As at 30 June 2023, the Group held minority equity interests in several associates. The Group's share of profits and losses of associates changed from a loss of RMB6.7 million for the six months ended 30 June 2022 to a profit of RMB9.5 million for the six months ended 30 June 2023. It was primarily attributable to share of profit of RMB17.6 million of Shenzhen Zhichengqianli Investment Enterprise (Limited Partnership) (深圳市志成千里投資企業(有限合夥)), share of loss of RMB4.0 million of Shanghai Fengguo Network Information (上海蜂果網絡科技有限公司), and share of loss of RMB4.3 million of Hangzhou Huanwen Technology Co., Ltd. (杭州幻文科技有限公司).

Profit before tax

As a result of the foregoing, the Group's profit before tax turned from a loss of RMB19.4 million for the six months ended 30 June 2022 to a profit of RMB42.6 million for the six months ended 30 June 2023.

Income tax credit

The Group's income tax expense turned from RMB6.0 million for the six months ended 30 June 2022 to a credit of RMB8.4 million for the six months ended 30 June 2023, mainly due to the recognition of deferred tax credit of RMB17.5 million for the six months ended 30 June 2023.

Profit for the period

As a result of the foregoing, the Group's profit for the period turned from a loss of RMB25.4 million for the six months ended 30 June 2022 to a profit of RMB51.0 million for the six months ended 30 June 2023.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent treasury management policy to ensure that the Group maintains a healthy financial position.

As at 30 June 2023, the Group's total cash and cash equivalents amounted to approximately RMB188.4 million, in comparison to approximately RMB237.0 million as at 31 December 2022. This decrease of approximately 20.5% was primarily attributable to repayment of certain bank loans that has partially been offset by proceeds from new bank loans and funds generated from operations.

As at 30 June 2023, the current assets of the Group amounted to approximately RMB2,195.8 million, and the current liabilities of the Group amounted to approximately RMB1,010.4 million.

As at 30 June 2023, the current ratio (being the current assets divided by current liabilities as at the end of each period) of the Group was 2.17 times as compared with 1.6 times as at 31 December 2022, which ratio was relatively stable as at 31 December 2022 and 30 June 2023.

As at 30 June 2023, the gearing ratio (being the total debt divided by total equity as at the end of each period) of the Group was 6.7% as compared with 7.8% as at 31 December 2022, which ratio was relatively stable as at 31 December 2022 and 30 June 2023.

Indebtedness

During the Reporting Period, the Group obtained bank borrowings of RMB354.0 million and repaid bank borrowings of RMB407.4 million.

As at 30 June 2023, the Group had total bank borrowings of RMB390.2 million which were unsecured (31 December 2022: RMB444.2 million of which RMB104.2 million were secured). The Group's effective interest rates on its unsecured bank borrowings ranged from 2.50% to 5.00%.

As at 30 June 2023, the lease liabilities of the Group were RMB31.5 million (31 December 2022: RMB42.5 million).

Financial assets at fair value through profit or loss

As at 30 June 2023, the movements of the Group's financial assets at fair value through profit or loss turned from losses to gains during the Reporting Period, with the gains of RMB27.8 million, which was mainly due to the gains arose from certain listed equity investments invested by the Group and the good performance of certain research and development companies invested by the Group during the Reporting Period. As at 30 June 2023, 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 10.1%, 62.5% and 27.4% of financial assets at fair value through profit or loss, respectively. As at 30 June 2023, the Group has invested in more than 30 companies, the business nature of which is mainly game development. The Group has always invested in quality research and development companies to supply the Group with competitive game products. Various game research and development companies invested by the Group have furnished a number of games that have continuously contributed to the publishing revenue of the Group as well as the turnover growth of their own. 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 2023, the prepayments of the Group amounted to approximately RMB1,424.7 million, representing a decrease of 6.9% as compared with 31 December 2022. The prepayments of the Group mainly included prepaid licence fees (non-current) of approximately RMB808.2 million, prepaid minimum guarantee (current) of approximately RMB553.1 million and other prepayments of approximately RMB63.4 million. Such prepayments for licence fees and minimum guarantee, for which the underlying contracts have been made with as many as 100 renowned enterprises worldwide, represented more than 90 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 2023, the Group did not enter into any off-balance sheet transactions (31 December 2022: Nil).

Pledge of assets

As at 30 June 2023, the Group did not have any pledge of assets (31 December 2022: equity interests of certain subsidiaries and a financial asset at fair value through profit or loss of the Group of approximately RMB133.9 million).

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 2023 mainly with its internal resources.

The Group's capital commitments as at 31 December 2022 and 30 June 2023 amounted to RMB300.2 million and RMB256.5 million, respectively. The Group's capital commitments as at 30 June 2023 was primarily for the purchase of IP and game licences.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS OR DISPOSAL

During the six months ended 30 June 2023, and up to the Latest Practicable Date, 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 did not have concrete plans for material investments or capital assets as at 30 June 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023, the Group had not purchased, sold or redeemed any of the Company's listed securities.

FOREIGN CURRENCY RISK

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

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

OTHER INFORMATION

DIVIDENDS

The Board did not propose payment of any interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

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 2023 and up to the Latest Practicable Date.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2023, 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), one non-executive Director and three independent non-executive Directors, and therefore considers that it has a fairly strong independence element in its composition. The Board also considers that the balance of power and authority under the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider separating the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Company as a whole.

DIRECTORS' DEALING IN SECURITIES TRANSACTIONS

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

All Directors have confirmed, following specific 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 2023 to 30 June 2023.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors have confirmed that during the six months ended 30 June 2023, 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 25 August 2023 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 2023, the Group had approximately 841 full-time employees (30 June 2022: 1,116). 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 2023:

Name of Grantees	Date of grant of share options	Closing price of the Shares immediately before the date on which the share options were granted (HK\$)	Number of Shares of Shares underlying options outstanding as at 1 January 2023	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/ canceled during the period	Number of Shares underlying options outstanding as at 30 June 2023	Exercise period of share options ⁽¹⁾	Exercise price of share option per Share (HK\$)	Fair value of options at the date of grant ⁽⁷⁾ (HK\$)
Mr. Xiao	20 January 2023 ⁽⁴⁾	1.96	—	2,750,000	—	—	—	2,750,000	20 January 2023 to 19 January 2026	2.50	0.62
Mr. Sin	20 January 2023 ⁽⁴⁾	1.96	—	2,750,000	—	—	—	2,750,000	20 January 2023 to 19 January 2026	2.50	0.62
Mr. FAN Yingjie	29 March 2021 ⁽³⁾	2.83	2,000,000	—	—	—	—	2,000,000	29 March 2021 to 28 March 2024	2.90	0.95 - 0.96
	20 January 2023 ⁽⁴⁾	1.96	—	800,000	—	—	—	800,000	20 January 2023 to 19 January 2026	2.50	0.62
Mr. ZHANG Shengyan	20 January 2023 ⁽⁴⁾	1.96	—	200,000	—	—	—	200,000	20 January 2023 to 19 January 2026	2.50	0.62
Ms. NG Yi Kum	29 March 2021 ⁽³⁾	2.83	150,000	—	—	—	—	150,000	29 March 2021 to 28 March 2024	2.90	0.95 - 0.96
	20 January 2023 ⁽⁴⁾	1.96	—	200,000	—	—	—	200,000	20 January 2023 to 19 January 2026	2.50	0.62
Mr. TANG Liang	29 March 2021 ⁽³⁾	2.83	125,000	—	—	—	—	125,000	29 March 2021 to 28 March 2024	2.90	0.95 - 0.96
	20 January 2023 ⁽⁴⁾	1.96	—	200,000	—	—	—	200,000	20 January 2023 to 19 January 2026	2.50	0.62
Mr. HO Orlando Yaukai	29 March 2021 ⁽³⁾	2.83	125,000	—	—	—	—	125,000	29 March 2021 to 28 March 2024	2.90	0.95 - 0.96
	20 January 2023 ⁽⁴⁾	1.96	—	200,000	—	—	—	200,000	20 January 2023 to 19 January 2026	2.50	0.62
Other Employees	29 March 2021 ⁽³⁾	2.83	34,975,000	—	—	—	(2,228,000)	32,747,000	29 March 2021 to 28 March 2024	2.90	0.94 - 0.96
Other Employees	27 May 2022 ⁽³⁾	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 ⁽⁴⁾	1.96	—	42,900,000	—	—	—	42,900,000	20 January 2023 to 19 January 2026	2.50	0.56 - 0.62
Total			39,305,000	50,000,000	—	—	(2,228,000)	87,077,000			

OTHER INFORMATION

Notes:

- (1) With regard to the vesting conditions of the share options, the share options are exercisable, subject to the performance targets as specified by the Board having been satisfied.
- (2) The share options are exercisable in installments from the commencement of the relevant vesting period until 28 March 2024: (a) one third of the options can be exercised from 29 March 2021 to 28 March 2024; (b) one third of the options can be exercised from 29 March 2022 to 28 March 2024; and (c) the remaining one third of the options can be exercised from 29 March 2023 to 28 March 2024.
- (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 until 19 January 2026: (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) 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).
- (6) 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 2023.
- (7) Details of the valuation of share options during the six months ended 30 June 2023, including the accounting standard and policy adopted for the Post- IPO Share Option Scheme, are set out in note 19 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 2023 were approximately 186,795,000 and 139,023,000 respectively.

During the six months ended 30 June 2023, 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. 62,077,000 share options) to the weighted average number of Shares in issue for the period (i.e. 2,752,672,000 Shares) was approximately 2.26%.

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

As at 30 June 2023, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interest in the Shares

Name of Directors/ Chief Executive	Nature of Interest	Number of Shares held /interested ⁽¹⁾	Approximate percentage of interest in the Company ⁽²⁾
Mr. Xiao	Founder of a discretionary trust, interest in a controlled corporation, beneficial interests and other ⁽³⁾	780,894,067(L)	28.37%
Mr. Sin	Interest in a controlled corporation, beneficial interests and other ⁽⁴⁾	822,137,663(L)	29.87%
Mr. FAN Yingjie	Beneficial interests ⁽⁵⁾	3,718,000(L)	0.14%
Mr. ZHANG Shengyan	Beneficial interests ⁽⁶⁾	200,000(L)	0.00%
Ms. NG Yi Kum	Beneficial interests ⁽⁷⁾	350,000(L)	0.00%
Mr. TANG Liang	Beneficial interests ⁽⁸⁾	325,000(L)	0.00%
Mr. HO Orlando Yaukai	Beneficial interests ⁽⁹⁾	325,000(L)	0.00%

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) The percentages are calculated on the basis of 2,752,672,000 Shares in issue as at 30 June 2023.
- (3) As at 30 June 2023, Mr. Xiao was interested in 780,894,067 Shares, among which, Mr. Xiao:
 - (i) was the beneficial owner of 14,236,000 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 2,750,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (4) As at 30 June 2023, Mr. Sin was interested in 822,137,663 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 2,750,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (5) As at 30 June 2023, Mr. FAN Yingjie was interested in 3,718,000 Shares, among which, Mr. FAN Yingjie (i) was the beneficial owner of 918,000 Shares; and (ii) was interested in share options for 2,800,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (6) As at 30 June 2023, Mr. ZHANG Shengyan was interested in share options for 200,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (7) As at 30 June 2023, Ms. NG Yi Kum was interested in share options for 350,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (8) As at 30 June 2023, Mr. TANG Liang was interested in share options for 325,000 Shares pursuant to the Post-IPO Share Option Scheme.
- (9) As at 30 June 2023, Mr. HO Orlando Yaukai was interested in share options for 325,000 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 ⁽¹⁾	31.53%
Mr. Xiao	Shenzhen Zhongshouyou ⁽¹⁾	31.53%
Mr. Xiao	Shenzhen Douyue ⁽¹⁾	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 2023, 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 2023, to the best knowledge of the Directors, the following persons had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares held ⁽¹⁾	Approximate percentage of interest in the Company ⁽²⁾
Mr. Xiao	Founder of a discretionary trust, interest in a controlled corporation, beneficial owners and other ⁽³⁾	780,894,067(L)	28.37%
Trident Trust Company (B.V.I.) Limited	Trustee of a trust ⁽³⁾	763,908,067(L)	27.75%
ZSY Holding	Interest in a controlled corporation ⁽³⁾	763,908,067(L)	27.75%
Zhongshouyou Brothers BVI	Beneficial owner ⁽³⁾	70,598,642(L)	2.56%
	Interest in a controlled corporation ⁽³⁾	693,309,425(L)	25.19%
Mr. Sin	Interest in a controlled corporation, beneficial owners and other ⁽⁴⁾	822,137,663(L)	29.87%
Silver Joyce	Beneficial owner ⁽⁴⁾	123,750,238(L)	4.49%
	Interest in a controlled corporation ⁽⁴⁾	693,309,425(L)	25.19%
Fairview Ridge	Beneficial owner ⁽³⁾⁽⁴⁾	693,309,425(L)	25.19%
Motion Game	Interest in a controlled corporation ⁽³⁾⁽⁴⁾	693,309,425(L)	25.19%
Profound Power	Interest in a controlled corporation ⁽³⁾⁽⁴⁾	693,309,425(L)	25.19%
Changpei Cayman	Interest in a controlled corporation ⁽³⁾⁽⁴⁾	693,309,425(L)	25.19%
Ambitious Profit	Interest in a controlled corporation ⁽³⁾⁽⁴⁾	693,309,425(L)	25.19%
Zhongrong Trust	Interest in a controlled corporation ⁽⁵⁾⁽⁶⁾	369,461,107(L)	13.42%
Beijing Zhongrong Dingxin	Interest in a controlled corporation ⁽⁵⁾⁽⁶⁾	369,461,107(L)	13.42%
Dazi Dingcheng	Interest in a controlled corporation ⁽⁵⁾⁽⁶⁾	369,461,107(L)	13.42%
Shanghai Pegasus	Interest in a controlled corporation ⁽⁵⁾	293,327,517(L)	10.66%
Pegasus Technology	Interest in a controlled corporation ⁽⁵⁾	293,327,517(L)	10.66%
Pegasus BVI	Interest in a controlled corporation ⁽⁵⁾	293,327,517(L)	10.66%
Pegasus HK	Beneficial owner ⁽⁵⁾	293,327,517(L)	10.66%

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 2023.
- (3) Mr. Xiao, (i) was the beneficial owner of 14,236,000 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 2,750,000 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 780,894,067 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 2,750,000 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 822,137,663 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 2023. Yichong HK is wholly-owned by Yichong Technology Limited, a BVI company, which is in turn wholly-owned by Shanghai Jichong Technology Development Limited (上海紀翀科技發展有限公司) ("Jichong Shanghai"), a PRC limited liability company. Jichong Shanghai is owned as to 0.4% by an independent third party and 99.6% by Yichong Investment, a PRC limited partnership, the general partner of which is Dazi Dingcheng, a limited liability company established in the PRC, which is wholly-owned by Beijing Zhongrong Dingxin and in turn wholly-owned by Zhongrong Trust.

Save as disclosed above, as at 30 June 2023, 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 2023. 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 2023, Changpei Cayman was held by Ambitious Profit, the general partner, as to 0.004%, and Zhejiang Shiji Huatong Group Limited, a listed company on the Shenzhen Stock Exchange (SZSE: 002602), the limited partner, as to 99.996%.

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 28 to 57 which comprise the condensed consolidated statement of financial position of CMGE Technology Group Limited and its subsidiaries as of 30 June 2023 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 a summary of significant accounting policies and other explanatory notes (the "interim condensed consolidated financial statement"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and 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 ("HKSRE") 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, 25 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
REVENUE	6	1,535,444	1,232,764
Cost of sales		(1,019,249)	(731,801)
Gross profit		516,195	500,963
Other income and gains, net	7	69,573	29,740
Selling and distribution expenses		(120,324)	(114,635)
Administrative expenses		(351,732)	(312,522)
Impairment losses on financial and contract assets, net		(35,114)	(9,168)
Other expenses		(35,674)	(90,678)
Finance costs	8	(9,859)	(16,340)
Share of profits and losses of:			
A joint venture		—	(54)
Associates		9,507	(6,678)
PROFIT/(LOSS) BEFORE TAX	9	42,572	(19,372)
Income tax credit/(expense)	10	8,423	(6,036)
PROFIT/(LOSS) FOR THE PERIOD		50,995	(25,408)
Attributable to:			
Owners of the parent		56,824	(21,901)
Non-controlling interests		(5,829)	(3,507)
		50,995	(25,408)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
– For profit/(loss) for the period		RMB2.06 cents	RMB(0.79) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	50,995	(25,408)
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(26,669)	1,095
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(26,669)	1,095
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	62,137	47,203
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	62,137	47,203
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	35,468	48,298
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	86,463	22,890
Attributable to:		
Owners of the parent	92,292	26,397
Non-controlling interests	(5,829)	(3,507)
	86,463	22,890

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property and equipment	13	16,374	17,873
Right-of-use assets		29,529	40,904
Goodwill		1,124,781	1,124,781
Other intangible assets		553,950	538,765
Investment in a joint venture		—	4,684
Investments in associates		158,336	156,629
Financial assets at fair value through profit or loss	14	2,101,993	2,099,456
Deferred tax assets		65,098	58,416
Prepayments	16	818,783	881,220
Total non-current assets		4,868,844	4,922,728
CURRENT ASSETS			
Trade receivables	15	1,157,046	1,070,799
Prepayments, other receivables and other assets	16	838,936	909,899
Due from related parties	22	11,439	12,368
Pledged deposit		—	1,000
Cash and cash equivalents		188,398	236,960
Total current assets		2,195,819	2,231,026
CURRENT LIABILITIES			
Trade payables	17	260,098	307,670
Other payables and accruals		207,207	282,741
Contingent consideration for business combination		—	168,925
Interest-bearing bank borrowings		390,224	444,169
Tax payable		134,287	133,063
Due to related parties	22	6,238	7,338
Lease liabilities		12,343	15,435
Total current liabilities		1,010,397	1,359,341
NET CURRENT ASSETS		1,185,422	871,685
TOTAL ASSETS LESS CURRENT LIABILITIES		6,054,266	5,794,413

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		64,705	75,474
Contingent consideration for business combination		172,000	—
Lease liabilities		19,146	27,056
Total non-current liabilities		255,851	102,530
Net assets		5,798,415	5,691,883
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	1,915	1,925
Reserves		5,785,259	5,672,888
		5,787,174	5,674,813
Non-controlling interests		11,241	17,070
Total equity		5,798,415	5,691,883

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Attributable to owners of the parent									Total equity RMB'000
	Share capital RMB'000 (Note 18)	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	Non-controlling interests 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 19)	—	—	—	—	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

* These reserve accounts comprise the consolidated reserves of RMB5,672,888,000 and RMB5,785,259,000 in the interim condensed consolidated statement of financial position as of 31 December 2022 and 30 June 2023, respectively.

	Attributable to owners of the parent									Total equity RMB'000
	Share capital RMB'000 (Note 18)	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Share incentive reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000		
At 1 January 2022 (Audited)	1,925	3,426,097	18,510	769,398	(126,479)	1,704,411	5,793,862	—	5,793,862	
Loss for the period	—	—	—	—	—	(21,901)	(21,901)	(3,507)	(25,408)	
Other comprehensive income for the period:										
Exchange differences on translation	—	—	—	—	48,298	—	48,298	—	48,298	
Total comprehensive income/(loss) for the period	—	—	—	—	48,298	(21,901)	26,397	(3,507)	22,890	
Acquisition of subsidiaries	—	—	—	—	—	—	—	28,425	28,425	
Contribution from non-controlling interests	—	—	—	—	—	—	—	379	379	
Share-based compensation (Note 19)	—	—	—	6,429	—	—	6,429	—	6,429	
At 30 June 2022 (Unaudited)	1,925	3,426,097	18,510	775,827	(78,181)	1,682,510	5,826,688	25,297	5,851,985	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:		42,572	(19,372)
Adjustments for:			
Finance costs	8	9,859	16,340
Share of profits and losses of a joint venture and associates		(9,507)	6,732
Interest income	9	(970)	(3,531)
Fair value (gains)/losses on financial assets at fair value through profit or loss	9	(27,769)	43,659
Fair value adjustment of contingent consideration for business combination	9	3,075	(3,949)
Equity-settled share-based expense	9	19,344	6,247
Impairment of trade receivables, net	9	52,854	9,168
Reversal of expected credit loss of other receivables	9	(17,740)	—
Write-off of prepayments, other receivables and other assets	9	15,299	34,743
(Gain)/loss on disposals of items of property and equipment	9	(10)	103
Gain on lease modification	9	(317)	(267)
Depreciation of property and equipment	9	3,789	2,220
Depreciation of right-of-use assets	9	6,712	8,605
Amortisation of other intangible assets	9	55,074	32,577
Impairment losses on investment in a joint venture and an associate	9	12,484	—
Impairment losses on other intangible assets	9	3,933	10,151
		168,682	143,426
Increase in trade receivables		(139,771)	(66,423)
Decrease/(increase) in prepayments, other receivables and other assets		219,262	(136,387)
Decrease/(increase) in amounts due from related parties		929	(1,304)
Decrease in trade payables		(46,275)	(138,130)
Decrease in other payables and accruals		(69,050)	(31,913)
(Decrease)/increase in amounts due to related parties		(1,100)	2,235
		132,677	(228,496)
Cash generated from/(used in) operations		(7,803)	(18,182)
Income tax paid		124,874	(246,678)
Net cash flows generated from/(used in) operating activities			

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		970	7,218
Dividends received from financial assets at fair value through profit or loss		7,561	19,652
Purchases of items of property and equipment	13	(2,398)	(2,898)
Additions to other intangible assets		(105,594)	(220,358)
Proceeds from disposal of items of property and equipment		126	87
Acquisition of subsidiaries		—	14,209
Purchases of investments in associates		—	(36,651)
Disposals of investments in associates		—	4,701
Purchases of financial assets at fair value through profit or loss		(141,910)	(456,320)
Disposals of financial assets at fair value through profit or loss		117,882	230,353
Release of pledged deposits		1,000	300,000
Net cash flows used in investing activities		(122,363)	(140,007)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new bank loans		354,000	273,196
Repayment of bank loans		(407,409)	(250,072)
Principal portion of lease payment		(6,022)	(7,698)
Contribution from non-controlling interests		—	379
Interest paid		(9,859)	(16,181)
Net cash flows used in financing activities		(69,290)	(376)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		236,960	818,520
Effect of foreign exchange rate changes, net		18,217	14,718
CASH AND CASH EQUIVALENTS AT END OF PERIOD		188,398	446,177

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 and Korea, and investment business in Mainland China.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2023 has 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 Group's consolidated financial statements for the year ended 31 December 2022.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial statements.

HKFRS 17	<i>Insurance Contracts and Related Amendments</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and</i>
	<i>Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing the interim condensed consolidated financial statements, significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Group's consolidated financial statements for the year ended 31 December 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 JUNE 2023

5. OPERATING SEGMENT INFORMATION

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)
Segment revenue (Note 6)				
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 and contract assets, net				(35,114)
Other expenses				(35,674)
Finance costs				(9,859)
Share of profits and losses of:				
A joint venture				—
Associates				9,507
PROFIT BEFORE TAX				42,572

5. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2022

Segments	Game publishing RMB'000 (Unaudited)	Game development RMB'000 (Unaudited)	Licensing of intellectual property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (Note 6)				
Sales to external customers	1,019,941	182,064	30,759	1,232,764
Intersegment sales	—	131,536	—	131,536
	1,019,941	313,600	30,759	1,364,300
Reconciliation:				
Elimination of intersegment sales				(131,536)
Total revenue from contracts with customers				1,232,764
Segment results	367,015	110,279	23,669	500,963
Reconciliation:				
Other income and gains, net				29,740
Selling and distribution expenses				(114,635)
Administrative expenses				(312,522)
Impairment losses on financial and contract assets, net				(9,168)
Other expenses				(90,678)
Finance costs				(16,340)
Share of profits and losses of:				
A joint venture				(54)
Associates				(6,678)
LOSS BEFORE TAX				(19,372)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2023

6. REVENUE

An analysis of revenue is as follows:

During the six months ended 30 June 2023, the obtaining licences for various games originally planned to be published in last year led to an increase in revenue.

Disaggregated revenue information

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)
Types of goods or services:				
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
Total revenue	1,217,004	258,634	59,806	1,535,444
Revenue from contracts with customers under HKFRS 15 by geographical markets:				
Mainland China	1,108,813	258,634	43,318	1,410,765
Other countries/regions	108,191	—	16,488	124,679
	1,217,004	258,634	59,806	1,535,444
Revenue from contracts with customers under HKFRS 15 by timing of revenue recognition:				
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
	1,217,004	258,634	59,806	1,535,444

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 JUNE 2023

6. REVENUE *(Continued)*

For the six months ended 30 June 2022

Segments	Game publishing RMB'000 (Unaudited)	Game development RMB'000 (Unaudited)	Licensing of intellectual property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services:				
Mobile game publishing services	1,019,941	—	—	1,019,941
Game development related services	—	182,064	—	182,064
Licensing of intellectual property	—	—	30,759	30,759
Total revenue	1,019,941	182,064	30,759	1,232,764
Revenue from contracts with customers under HKFRS 15 by geographical markets:				
Mainland China	797,867	180,535	26,795	1,005,197
Other countries/regions	222,074	1,529	3,964	227,567
	1,019,941	182,064	30,759	1,232,764
Revenue from contracts with customers under HKFRS 15 by timing of revenue recognition:				
Services transferred over time	1,019,941	182,064	3,964	1,205,969
Services transferred at a point in time	—	—	26,795	26,795
	1,019,941	182,064	30,759	1,232,764

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2023

7. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Bank interest income	970	3,531
Government grants related to income*	11,848	17,477
Fair value adjustment of contingent consideration for business combination	—	3,949
Fair value gains on financial assets at fair value through profit or loss	27,769	—
Dividend income from investments	7,561	—
Foreign exchange differences, net	7,088	1,917
Others	14,337	2,866
	<u>69,573</u>	<u>29,740</u>

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

8. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest expenses on:		
Bank borrowings	8,923	15,198
Lease liabilities	936	1,142
	<u>9,859</u>	<u>16,340</u>

9. PROFIT/(LOSS) BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Commissions charged by channels and third-party game developers	(a)	827,683	590,119
Commissions charged by intellectual properties ("IP") owners		46,372	47,145
Promotion expenses		100,988	91,220
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages and salaries		192,044	175,710
Equity-settled share-based expense		19,344	6,247
Pension scheme contributions (defined contribution scheme)	(b)	25,325	23,820
		236,713	205,777
Depreciation of property and equipment		3,789	2,220
Depreciation of right-of-use assets		6,712	8,605
Amortisation of other intangible assets	(c)	55,074	32,577
Research and development costs		266,859	204,309
Lease payments not included in the measurement of lease liabilities		4,357	3,814
Foreign exchange differences, net		(7,088)	(1,917)
Impairment losses on financial and contract assets, net:			
Impairment of trade receivables, net		52,854	9,168
Reversal of expected credit loss of other receivables		(17,740)	—
Write-off of prepayments, other receivables and other assets	(d)	15,299	34,743
Gain on lease modification		(317)	(267)
Impairment losses on other intangible assets	(e)	3,933	10,151
Impairment losses on investment in a joint venture and an associate		12,484	—
Bank interest income		(970)	(3,531)
(Gain)/loss on disposals of items of property and equipment		(10)	103
Auditor's remuneration		1,400	1,350
Fair value (gains)/losses on financial assets at fair value through profit or loss		(27,769)	43,659
Fair value adjustment of contingent consideration for business combination		3,075	(3,949)

9. PROFIT/(LOSS) BEFORE TAX *(Continued)*

Notes:

- (a) Zhejiang Shiji Huatong Group Limited ("Shiji Huatong") is a listed company on the Shenzhen Stock Exchange (SZSE:002602), and a wholly-owned subsidiary of Shiji 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 Shiji 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 Shiji Huatong is an independent third party with the Group. Shiji Huatong provided channel services to the Group, which amounted to RMB35,282,000 during the six months ended 30 June 2023 (2022: RMB62,620,000), and the balance of trade receivables from Shiji Huatong as at 30 June 2023 was RMB2,040,000 (31 December 2022: RMB9,741,000).
- (b) There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.
- (c) The amortisation of other intangible assets for the period is included in "Cost of sales" in the condensed consolidated statement of profit or loss.
- (d) Write-off of prepayments, other receivables and other assets is included in "Other expenses" in the condensed consolidated statement of profit or loss.
- (e) Impairment losses on other intangible assets is included in "Other expenses" in the condensed consolidated statement of profit or loss.

10. INCOME TAX CREDIT/(EXPENSE)

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% (2022: 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 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 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.

10. INCOME TAX CREDIT/(EXPENSE) *(Continued)*

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 2020 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 2020 to 2022.

Beijing Wenmai Hudong Technology Company Limited ("Wenmai Hudong") was accredited as a HNTE since 2016 and the certificate is valid for three years since its renewal in December 2022. The applicable tax rate for Wenmai Hudong is 15% for the year ended 31 December 2022 and the year ending 31 December 2023.

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.

Horgos Bell Mutual Entertainment Technology Co., Ltd. was established in the Horgos Development Zone of Xinjiang in 2016. According to the applicable regulations promulgated by the State Council and relevant authorities, it was entitled to tax exemption for five years from 2016 which was the first tax year with production and operation income and is entitled to a preferential CIT rate of 12.5% for five years thereafter from 2021 to 2025.

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

Shengyue Software (Shenzhen) Co., Ltd. was accredited as a "software enterprise" in 2019 under relevant PRC laws and regulations. Accordingly, it was entitled to tax exemption from 2019 to 2020 and is entitled to a preferential CIT rate of 12.5% from 2021 to 2023.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2023

10. INCOME TAX CREDIT/(EXPENSE) *(Continued)*

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 2022 and 2023.

Hainan Chuangyue Technology Company Limited (“Hainan Chuangyue”) and Hainan Zhanzhen 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 the year ended 31 December 2022 and the year ending 31 December 2023.

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 2025.

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current Tax Expense		
PRC	10,389	15,336
Hong Kong		
Charge for the period	2,666	6,615
Overprovision in prior years	(5,415)	—
Elsewhere	1,388	—
	9,028	21,951
Deferred Tax Credit		
PRC	(17,451)	(15,915)
Total tax (credit)/charge for the period	(8,423)	6,036

11. 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 2023 (2022: nil).

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Listed equity investments, at fair value	212,633	179,739
Unlisted equity investments, at fair value	1,312,815	1,373,812
Convertible loans and other debt instruments, at fair value	576,545	545,905
	<u>2,101,993</u>	<u>2,099,456</u>

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 RMB58,955,000 (31 December 2022: RMB45,806,000) as at 30 June 2023.

In June 2023, the Group entered into agreements to acquire an additional 6.8% of the issued shares of Angel Fund and right to economic benefits on 7.93% of the issued shares of Angel Fund (the "Investments") with the consideration of the Group's other receivable of approximately RMB33,405,000 (31 December 2022: RMB15,000,000) due from the former owner of the Investments.

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 RMB233,144,000 (31 December 2022: RMB221,720,000) as at 30 June 2023.

In February 2020, Guohong Jiaxin (Shenzhen) Angel Venture Capital Enterprise (L.P.) ("Angel Venture") has been set up after obtaining all the related licences and approval documentations. The fair value of the investment in Angel Venture was RMB210,000,000 (31 December 2022: RMB201,000,000) as at 30 June 2023.

The Group holds 33.93% (31 December 2022: 26%), 25.65% (31 December 2022: 25.65%) and 39.01% (31 December 2022: 39.01%) limited partnership interests in Angel Fund, CPC Fund, and Angel Venture, respectively. Pursuant to the relevant partnership agreements of these three funds, the Group is entitled to investment return, but has no right or power to participate in the management or control of the funds. Therefore, the Group has neither control nor significant influence on Angel Fund, CPC Fund and Angel Venture and they are treated as financial instruments at fair value through profit or loss.

15. TRADE RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	1,370,226	1,232,102
Allowance for impairment	(213,180)	(161,303)
Trade receivables, net	<u>1,157,046</u>	<u>1,070,799</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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 6 months	857,365	737,740
6 months to 1 year	114,227	155,602
1 year to 18 months	95,423	100,177
18 months to 2 years	63,722	60,762
Over 2 years	26,309	16,518
	<u>1,157,046</u>	<u>1,070,799</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 JUNE 2023

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current portion		
Prepayments (note)	818,783	881,220
Current portion		
Prepayments (note)	605,959	648,526
Deposits and other receivables	201,353	215,682
Contract costs	31,624	45,691
	838,936	909,899
	1,657,719	1,791,119

Note:

Prepayments as at 30 June 2023 mainly included prepaid minimum guarantee of approximately RMB553,092,000 (31 December 2022: RMB567,925,000) and prepaid licence fees of approximately RMB808,218,000 (31 December 2022: RMB868,051,000).

17. 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	106,494	169,871
3 to 6 months	75,091	65,710
6 months to 1 year	41,493	26,639
1 year to 2 years	23,255	29,901
Over 2 years	13,765	15,549
Total	260,098	307,670

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

18. SHARE CAPITAL

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Issued and fully paid: 2,752,672,000 (31 December 2022: 2,768,050,000) ordinary shares	1,915	1,925

A total of 15,378,000 ordinary shares (previously repurchased on market in September and October 2022) were cancelled on 3 April 2023.

19. 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 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").

The Group recognised a share-based compensation expense of RMB19,344,000 (2022: RMB6,247,000) calculated based on fair value which ranging from HK\$0.32 to HK\$0.96 per option (2022: HK\$0.32 to HK\$0.96) during the six months ended 30 June 2023.

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:

	2023 Share Options	2022 Share Options	2021 Share Options
Equity-settled			
Option pricing model used	Binomial model	Binomial model	Binomial model
Exercise price (HK\$ per share)	HK\$2.50	HK\$2.90	HK\$2.90
Expected dividend	0%	0%	0%
Expected volatility (note)	54.87%	51.51%	51.43%
Risk-free interest rate	3.42%	1.86%	0.37%
Expected life of options (year)	3 years	1.84 years	3 years
Spot price (HK\$ per share)	HK\$1.96	HK\$2.01	HK\$2.83

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2023

19. SHARE-BASED COMPENSATION *(Continued)*

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.

20. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 30 June 2023.

21. COMMITMENTS

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for:		
Purchase of IP and game licences	256,473	300,171

22. RELATED PARTY TRANSACTIONS

(a) Name of related parties

	Relationship with the Group
Guangzhou Xiangyu Technology Co., Ltd.	Subsidiary of the management
Guangxi Chuxin Technology Co., Ltd.	Subsidiary of the management
Shanghai Fengguo Network Information	Associate
Shenzhen Sparks Interactive Entertainment Co., Ltd.	Associate
Shenzhen Boliang Technology Co., Ltd.	Joint venture
Mr. Fan Yingjie	Executive director

22. RELATED PARTY TRANSACTIONS *(Continued)*

(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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Publishing services provided to Shanghai Fengguo Network Information	—	502
Promotion services received from Shenzhen Sparks Interactive Entertainment Co., Ltd.	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 2023 and 31 December 2022.

Amounts due from related parties

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Guangzhou Xiangyu Technology Co., Ltd. **	90	—
Guangxi Chuxin Technology Co., Ltd. **	299	—
Shenzhen Boliang Technology Co., Ltd.*	1,200	1,200
Shanghai Fengguo Network Information*	—	1,318
Mr. Fan Yingjie**	9,850	9,850
	<u>11,439</u>	<u>12,368</u>

* These balances are trade in nature.

** The balance is non-trade in nature.

22. RELATED PARTY TRANSACTIONS *(Continued)*

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

Amounts due to related parties

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Shanghai Fengguo Network Information*	1,416	3,330
Shenzhen Sparks Interactive Entertainment Co., Ltd.*	4,822	4,008
	6,238	7,338

* These balances are trade in nature.

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

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	6,089	10,697
Equity-settled share-based expense	13,750	2,092
Pension scheme contributions	227	230
	20,066	13,019

23. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial assets at fair value through profit or loss	2,101,993	2,099,456
At amortised cost:		
Trade receivables	1,157,046	1,070,799
Due from related parties	11,439	12,368
Financial assets included in prepayments, other receivables and other assets	201,353	215,682
Pledged deposit	—	1,000
Cash and cash equivalents	188,398	236,960
	1,558,236	1,536,809
	3,660,229	3,636,265

Financial liabilities

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Financial liabilities at fair value through profit or loss:		
Contingent consideration for business combination	172,000	168,925
At amortised cost:		
Trade payables	260,098	307,670
Due to related parties	6,238	7,338
Financial liabilities included in other payables and accruals	16,188	42,085
Interest-bearing bank borrowings	390,224	444,169
	672,748	801,262
Other financial liabilities:		
Lease liabilities	31,489	42,491
	876,237	1,012,678

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2022 and 30 June 2023, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

Management has assessed that the carrying amounts of cash and cash equivalents, pledged deposit, 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 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.

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

The fair values of listed equity investments are based on quoted market prices. The fair values of the unlisted equity investments have been estimated by using various applicable valuation techniques, including the discounted cash flow approach, 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.

24. 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 2023 and 31 December 2022:

	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	3%-13% (31 December 2022: 3%)	Increase/(decrease) in growth rate would result in increase/(decrease) in fair value
		Long term operating margin	16.22% to 63.95% (31 December 2022: 17% to 64%)	Increase/(decrease) in operating margin would result in increase/(decrease) in fair value
		Weighted average cost of capital (WACC)	17% to 25% (31 December 2022: 17% to 24%)	Increase/(decrease) in WACC would result in (decrease)/increase in fair value
	Adjusted net assets value method with equity allocation model	Volatility	24.94% to 37.82% (31 December 2022: 25.55% to 37.86%)	Increase/(decrease) in volatility would result in increase/(decrease) in fair value
		Risk Free Rate	1.84% to 2.14% (31 December 2022: 2.33% to 2.38%)	Increase/(decrease) in risk free rate would result in (decrease)/increase in fair value
		Binomial method	Volatility	54% to 99% (31 December 2022: 44% to 95%)
		Discount rate	17% to 27% (31 December 2022: 16% to 21%)	Increase/(decrease) in discount rate would result in (decrease)/increase in fair value
Financial liabilities at fair value through profit or loss	Discounted cash flow method with the Monte Carlo simulation model	Volatility	41.00% (31 December 2022: 46.07%)	Increase/(decrease) in volatility would result in increase/(decrease) in fair value
		Discount rate	6.12% (31 December 2022: 6.7%)	Increase/(decrease) in discount rate would result in (decrease)/increase in fair value

24. 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:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 30 June 2023 (Unaudited)				
Financial assets at fair value through profit or loss				
– Listed equity investments	212,633	—	—	212,633
– Unlisted equity investments	—	448,086	864,729	1,312,815
– Convertible loans and other debt instruments	—	—	576,545	576,545
	<u>212,633</u>	<u>448,086</u>	<u>1,441,274</u>	<u>2,101,993</u>
As at 31 December 2022 (Audited)				
Financial assets at fair value through profit or loss				
– Listed equity investments	179,739	—	—	179,739
– Unlisted equity investments	—	430,845	942,967	1,373,812
– Convertible loans and other debt instruments	—	—	545,905	545,905
	<u>179,739</u>	<u>430,845</u>	<u>1,488,872</u>	<u>2,099,456</u>

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

Fair value hierarchy *(Continued)*

Liabilities measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 30 June 2023 (Unaudited)				
Contingent consideration for business combination	—	—	172,000	172,000
As at 31 December 2022 (Audited)				
Contingent consideration for business combination	—	—	168,925	168,925

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Opening balances	1,488,872	1,258,341	(168,925)	(178,236)
Gain/(Loss) recognised in profit or loss	4,154	(37,664)	(3,075)	9,311
Addition	18,415	494,836	—	—
Disposals	(70,167)	(226,641)	—	—
Closing balances	1,441,274	1,488,872	(172,000)	(168,925)

25. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of these interim condensed consolidated financial statements, there are no significant events after the reporting period.

26. 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 25 August 2023.

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
"Beijing Orient L.P."	Beijing Orient Zhike Equity Investment Centre (Limited Partnership) (北京東方智科股權投資中心(有限合夥)), one of the Substantial Shareholders and an investment fund established on 22 May 2015 in the form of a limited partnership under the laws of the PRC, is controlled by its executive general partner ultimately controlled by Mr. Ma Yuntao (馬雲濤)
"Beijing Softstar"	Softstar Technology (Beijing) Co., Ltd. (軟星科技(北京)有限公司), a company established in the PRC on 19 September 2000, which is an indirect wholly owned subsidiary of the Company.
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Changpei Cayman"	Changpei Investment Centre, L.P., an exempted limited partnership registered in the Cayman Islands on 2 March 2018 and one of the Controlling Shareholders
"Changpei Shanghai"	Changpei (Shanghai) Investment Centre (Limited Partnership) (長霽(上海)投資中心(有限合夥)), a limited partnership registered in the PRC on 2 June 2015
"Chengdu Zhuoxing"	Chengdu Zhuo Xing Technology Co., Ltd. (成都卓星科技有限公司), a company established in the PRC on 24 June 2013 and wholly-owned by Shenzhen Lanyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements

“CMGE Mobile Tech”	China Mobile Game Technology Company Limited (中手游移動科技有限公司), a limited liability company established under the laws of the PRC on 14 October 2015, which is held as to 44.67% by Changpei Shanghai, 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
“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
“Latest Practicable Date”	31 August 2023, being the latest practicable date prior to the printing of this interim report for the purpose of ascertaining certain information for inclusion therein
“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

DEFINITIONS

"MMORPG"	massive multiplayer online role-playing game, in which a vast number of players play their selected game character in the virtual world, and interact with each other
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Motion Game"	Motion Game Company Limited (動力遊戲娛樂有限公司), a company incorporated in Hong Kong with limited liability on 20 July 2017 and one of the Controlling Shareholders
"MPUs"	monthly paying users, which refers to the number of paying users in the relevant calendar month; average MPUs for a particular period is the average of the MPUs in each month during that period
"Mr. Sin"	Mr. SIN Hendrick (洗漢迪) <i>M.H.</i> , the executive Director and vice chairman of the Company, and one of the Controlling Shareholders
"Mr. Xiao"	Mr. XIAO Jian (肖健), the executive Director, chairman and chief executive officer of the Company, and one of the Controlling Shareholders
"Nomination Committee"	the nomination committee of the Company
"PC"	personal computer
"Post-IPO Share Option Scheme"	the post-IPO share option scheme of the Company approved and adopted by the Shareholders on 20 September 2019
"PRC" or "China"	the People's Republic of China excluding, for the purpose of this report only, Hong Kong, the Macau Special Administrative Region and Taiwan
"PRC Operating Entities"	Chengdu Zhuoxing, Shenzhen Zhongshouyou, Shenzhen Douyue, Hainan Chuangyue Technology Company Limited (海南創躍科技有限公司), Shangrao Interactive Network Technology Co., Ltd. (上饒市逗號互動網絡科技有限公司), Yichun Dongdian Huyu Internet Technology Company Limited (宜春市動點互娛網絡科技有限公司), 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) and Guangzhou Manshikong Network Technology Co., Ltd. (廣州漫時空網絡科技有限公司)
"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
“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
“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
“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

DEFINITIONS

"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