

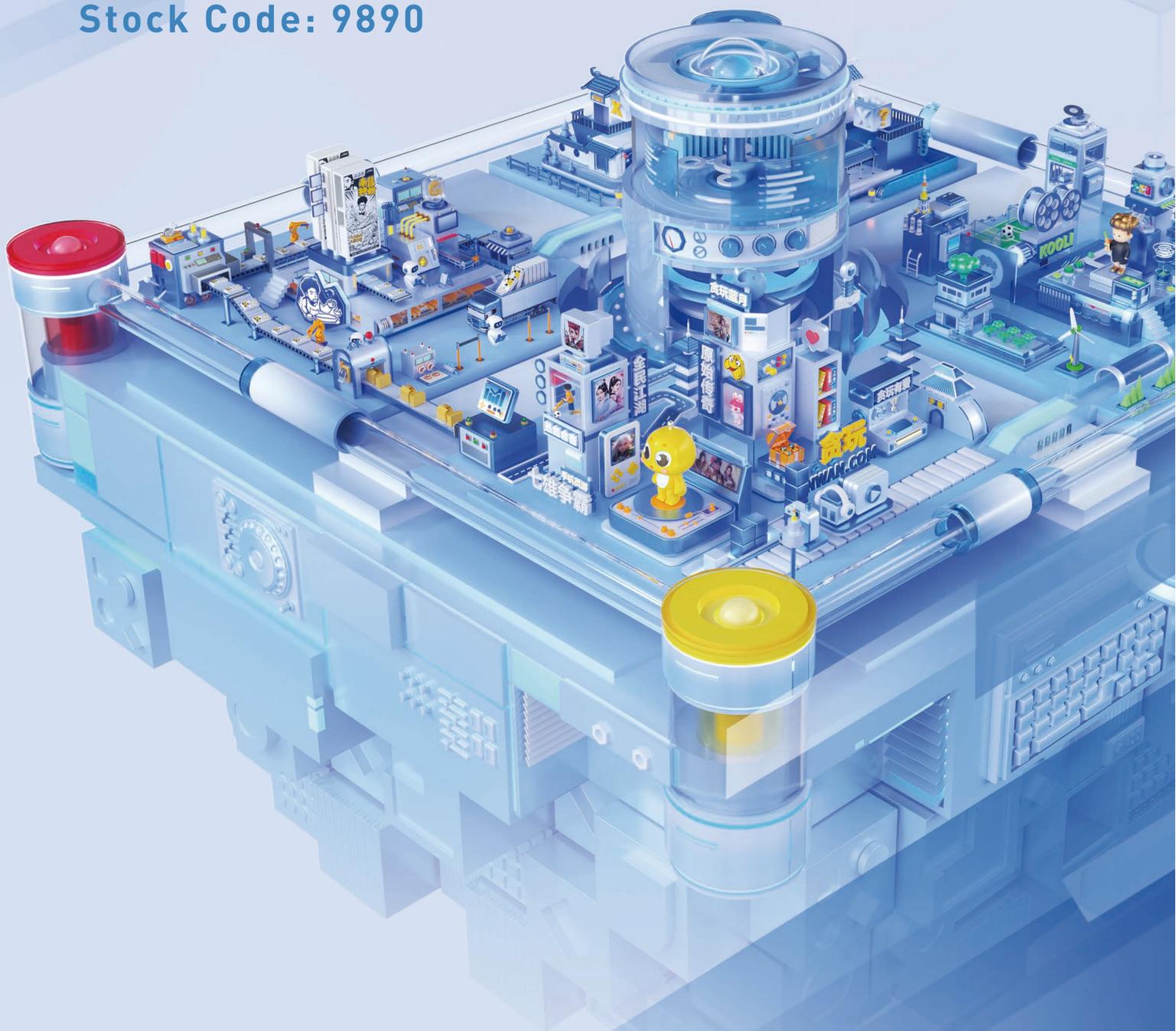


ZX Inc.  
中旭未来

(Incorporated in the Cayman Islands with limited liability)

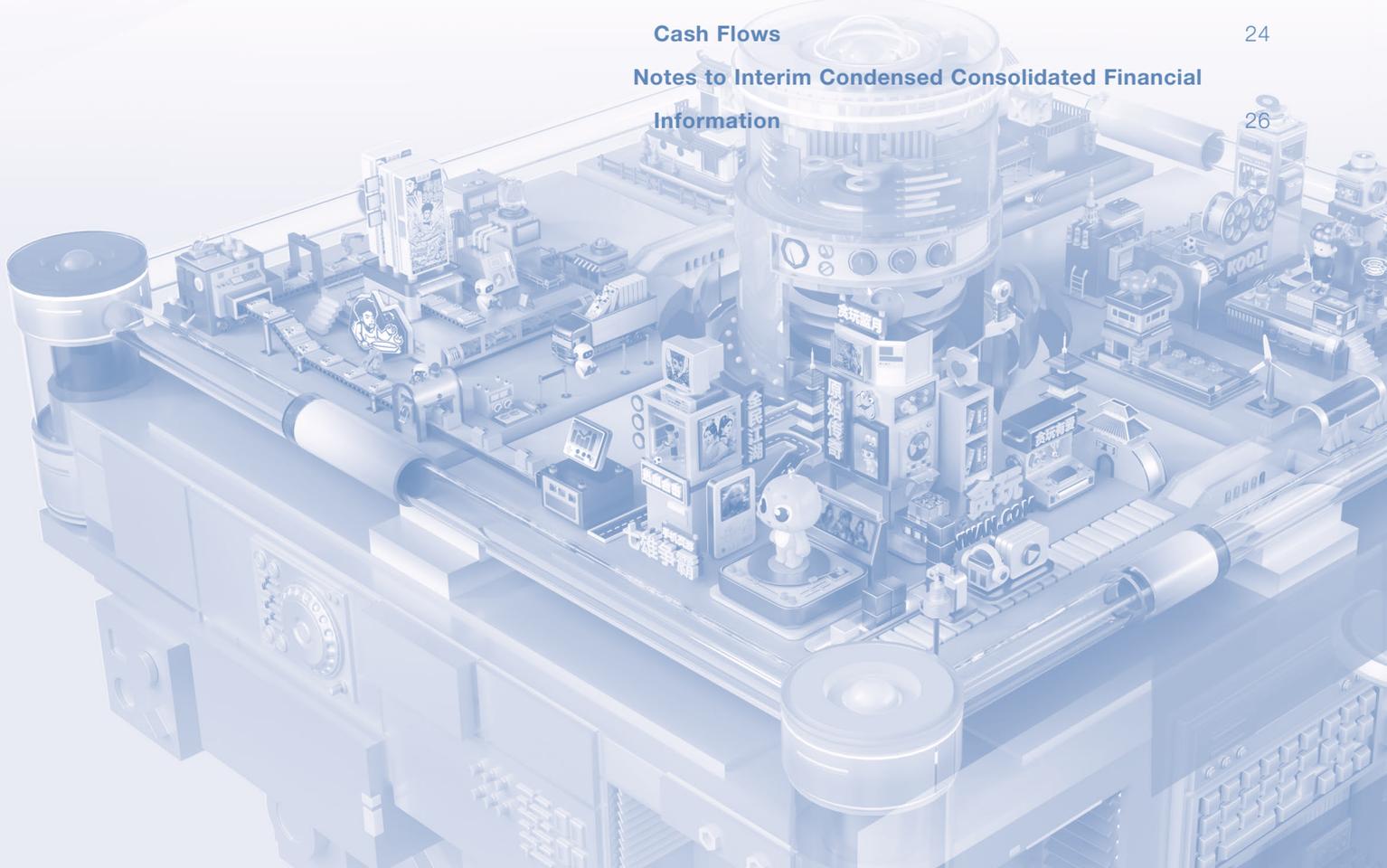
# INTERIM REPORT 2023

Stock Code: 9890



# Contents

<b>Definitions</b>	2
<b>Corporate Information</b>	4
<b>Key Highlights</b>	5
<b>Management Discussion and Analysis</b>	6
<b>Corporate Governance and Other Information</b>	12
<b>Independent Review Report</b>	18
<b>Interim Condensed Consolidated Statement of Profit or Loss</b>	19
<b>Interim Condensed Consolidated Statement of Comprehensive Income</b>	20
<b>Interim Condensed Consolidated Statement of Financial Position</b>	21
<b>Interim Condensed Consolidated Statement of Changes in Equity</b>	23
<b>Interim Condensed Consolidated Statement of Cash Flows</b>	24
<b>Notes to Interim Condensed Consolidated Financial Information</b>	26



## Definitions

“ARPPU”	average revenue per paying user
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“China” or “the PRC”	the People’s Republic of China, and for the purposes of this interim report only, except where the context requires otherwise, references to China or the PRC exclude Taiwan and the special administrative regions of Hong Kong and Macau
“Company” or “our Company”	ZX Inc. (中旭未來), an exempted limited liability company incorporated in the Cayman Islands on March 18, 2021
“Contractual Arrangements”	the series of contractual arrangements entered into by Guangzhou Zhongxu Future Technology Co., Ltd. (廣州中旭未來科技有限公司), an indirect wholly-owned subsidiary of our Company, Jiangxi Tanwan, and the registered shareholders of Jiangxi Tanwan, details of which have been set forth under the section headed “Contractual Arrangements” in the Prospectus
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and unless the context otherwise requires, refers to Mr. WU Xubo, WXB BVI 1, WXB BVI 2 and WXB Holdco
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Director(s)”	director(s) of the Company
“ESOP BVIs”	collectively, GLORIOUS TYCOON LIMITED, WxScarlett Ventures Limited and WxDR Ventures Limited, which hold the relevant issued Shares on trust for the Pre-IPO Share Option Plan
“Global Offering”	the offer for subscription of the shares as described in the Prospectus
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company, its subsidiaries and the PRC Operating Entities from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HKFRSs”	Hong Kong Financial Reporting Standards
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jiangxi Tanwan”	Jiangxi Tanwan Information Technology Co., Ltd. (江西貪玩信息技術有限公司), a limited liability company established in the PRC on May 21, 2015, one of the PRC Operating Entities controlled by our Company through the Contractual Arrangements
“KOL(s)”	key opinion leader(s)
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	September 28, 2023, being the date on which dealings in the Shares first commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“MAU”	monthly active users, which refers to the number of active users in the relevant calendar month; average MAUs for a particular period is the average of the MAUs in each month during that period
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

## Definitions

“MPU”	monthly paying users
“paying user(s)”	in any given period, the account which contributes to gross billings for a particular game, a particular game genre or any or all of our games, as applicable
“PC”	personal computer
“PRC Operating Entities”	the entities controlled by our Group through the Contractual Arrangements, namely Jiangxi Tanwan and its subsidiaries
“Pre-IPO Share Option Plan”	the pre-IPO share option plan of our Company as adopted on November 4, 2022, a summary of its principal terms is set out in the section headed “Statutory and General Information — D. Pre-IPO Share Option Plan” in Appendix IV to the Prospectus
“Prospectus”	the prospectus issued by the Company on September 18, 2023
“R&D”	research and development
“Renminbi” or “RMB”	Renminbi yuan, the lawful currency of the PRC
“Reporting Period”	For the six months ended June 30, 2023
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shangrao Hongbang”	Shangrao Hongbang Enterprise Management Center (Limited Partnership) (上饒縣宏邦企業管理中心(有限合夥)), a limited partnership established in the PRC on June 27, 2017, which is a registered shareholder of Jiangxi Tanwan with its general partner being Mr. WU Xubo and its limited partner being Ms. WU Xuan
“Shangrao Qichuang”	Shangrao Qichuang Enterprise Management Center (Limited Partnership) (上饒市齊創企業管理中心(有限合夥)), a limited partnership established in the PRC on December 17, 2020, which is a registered shareholder of Jiangxi Tanwan with its general partner being Ms. WU Xuan and its limited partner being certain key employees of Jiangxi Tanwan
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.00002 each
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“US dollars”, “USD” or “US\$”	United States dollars, the lawful currency of the United States
“WXB BVI 1”	WxLand Holding Limited, a business company incorporated in the BVI with limited liability on March 8, 2021, a wholly-owned subsidiary of Mr. WU Xubo, and one of our Controlling Shareholders
“WXB BVI 2”	WxLand International Ltd, a business company incorporated in the BVI with limited liability on January 4, 2022, a company owned by WXB BVI 1 as to 50.0%, and WXB Holdco as to 50.0%, and one of our Controlling Shareholders
“WXB Holdco”	WxLand Limited, a business company incorporated in the BVI with limited liability on September 26, 2022, which is wholly-owned by WxLand Trust, a discretionary trust established by Mr. WU Xubo as the settlor on September 22, 2022, and one of our Controlling Shareholders
“%”	percentage

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. WU Xubo (*Chairman, Chief Executive Officer*)  
Ms. WU Xuan (*Chief Operating Officer*)

### Independent Non-executive Directors

Ms. SONG Siyun  
Mr. QIN Yongde  
Ms. ZHENG Yi

## AUDIT COMMITTEE

Ms. ZHENG Yi (*Chairlady*)  
Ms. SONG Siyun  
Mr. QIN Yongde

## REMUNERATION COMMITTEE

Ms. SONG Siyun (*Chairlady*)  
Mr. WU Xubo  
Ms. ZHENG Yi

## NOMINATION COMMITTEE

Mr. WU Xubo (*Chairman*)  
Ms. SONG Siyun  
Ms. ZHENG Yi

## COMPANY SECRETARY

Ms. TSANG Wing Man

## COMPLIANCE ADVISER

### Somerley Capital Limited

20/F, China Building  
29 Queen's Road Central  
Hong Kong

## AUTHORIZED REPRESENTATIVES

Mr. WU Xubo  
Ms. TSANG Wing Man

## AUDITOR

### Ernst & Young

*Certified Public Accountant and  
Registered Public Interest Entity Auditor*  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

## HONG KONG LEGAL ADVISER

### Kirkland & Ellis

26/F, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

## REGISTERED OFFICE

190 Elgin Avenue  
George Town  
Grand Cayman KY1-9008  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PRC

Building B  
No. 9 Olympic Stadium South Road  
Tianhe District, Guangzhou  
Guangdong  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

### Walkers Corporate Limited

190 Elgin Avenue  
George Town  
Grand Cayman KY1-9008  
Cayman Islands

## HONG KONG SHARE REGISTRAR

### Tricor Investor Services Limited

17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## INVESTOR RELATIONS

Email: [ir@zx.com](mailto:ir@zx.com)

## COMPANY'S WEBSITE

<https://www.zx.com/>

## STOCK CODE

9890

## FINANCIAL SUMMARY

### Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30,

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Revenue	<b>3,400,091</b>	4,535,674
Gross profit	<b>2,294,078</b>	3,391,220
Profit before tax	<b>442,654</b>	398,793
Profit for the period	<b>300,261</b>	337,673
Non-HKFRS Measures		
Adjusted profit for the period*	<b>433,080</b>	345,078

\* We define the adjusted profit (Non-HKFRS measure) as the profit for the period, excluding share-based compensation and listing expenses. Share-based compensations are non-cash in nature and do not result in cash outflow, and the adjustment has been consistently made as in the Prospectus. In addition, we exclude listing expenses, as this item arises from activities relating to the Listing. For details, see “Management Discussion and Analysis — Financial Review — Adjusted profit for the period” in this interim report.

### Condensed Consolidated Statement of Financial Position

	<b>As of</b>	
	<b>June 30,</b>	December 31,
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Non-current assets	<b>4,080,042</b>	4,181,409
Current assets	<b>5,378,061</b>	5,617,497
Non-current liabilities	<b>180,414</b>	199,904
Current liabilities	<b>7,143,940</b>	7,889,966
Total Equity	<b>2,133,749</b>	1,709,036

## BUSINESS SUMMARY

### Listing in Hong Kong

On September 28, 2023, the Shares of our Company were listed on the Main Board of the Stock Exchange. Net proceeds from the Global Offering, after deducting underwriting discounts and commissions, assuming no exercise of the over-allotment option, were approximately HK\$138.7 million, which will be used in accordance with the section headed “Future Plans and Use of Proceeds” as disclosed in the Prospectus. Since the Listing Date and as of the date of this interim report, the Company has not utilized any net proceeds from the Global Offering. For details of the use of proceeds, please refer to the section headed “Future Plans and Use of Proceeds” in the Prospectus.

### Broad reach of end-user base with established stable business partnerships

Leveraging our technology platforms highlighted by the Hetu (河圖) and Luoshu (洛書) systems, data analysis capabilities and user insights to operate game products based on internal test results, we are able to accurately simulate the actual performance of our marketing campaigns, thus providing precise recommendations of the game products to a large base of end-users with a higher chance of conversion.

# Management Discussion and Analysis

## BUSINESS REVIEW AND OUTLOOK

As a publisher of online game products in China, in the first half of 2023, we continued to devote to marketing and operating online games (in particular mobile games) in China. The online games developed by our clients and marketed and operated by us are delivered to players under the “Tan Wan” brand (貪玩遊戲). During the Reporting Period, we had successfully launched 35 new games. As of June 30, 2023, we have operated over 330 game products, and the game products we marketed and operated had accumulated 432.9 million registered users. During the Reporting Period, we achieved an average MAU of 8.7 million for the game products we marketed and operated and the ARPPU of all the game products we marketed and operated was RMB509.4.

During the Reporting Period, we continued to enhance our core capabilities in marketing and operating game products. Gross profit margin for game products operated under the self-run model remained relatively stable at 95.4% and 95.2% for the six months ended June 30, 2022 and 2023, respectively. Gross profit margin for the game products operated under the joint-run model decreased from 19.3% for the six months ended June 30, 2022 to 16.4% for the six months ended June 30, 2023, primarily due to an increase in the portion of gross billings withheld by collaborating distribution channels.

In addition to game products, we also provide marketing services in relation to online literature products. For the six months ended June 30, 2023, revenue generated from other marketing business was RMB49.3 million, representing a significant increase of 135.9% from RMB20.9 million for the six months ended June 30, 2022.

Furthermore, the end-user insights we accumulate allow us to spot other needs of end-users. We have developed our own consumer product brands in new consumption scenarios, including the instant food brand “Zha Zha Hui” (渣渣灰) and pop toy brand “Bro Kooli.” For the six months ended June 30, 2023, revenue generated from consumer products business was RMB126.8 million, representing an increase of 89.9% from RMB66.8 million for the six months ended June 30, 2022.

### Our Game Product Portfolio

We run our online game publishing business primarily through two operation models, namely the self-run model and joint-run model, where such categorization depends on whether the end-user acquisition for the game product we market and operate is solely performed by us through utilizing the marketing strategies formulated by our Hetu (河圖) and Luoshu (洛書) technology platforms. We measure the performance of the game products we marketed and operated as a whole by the following key operating metrics: (i) average MAUs, (ii) average MPUs, (iii) average monthly ARPPU, and (iv) total number of cumulative registered end-users. The following table sets forth these operating metrics for the periods/as of the dates indicated.

	For the six months ended June 30,	
	2023	2022
Average MAUs (in thousands)	<b>8,678.6</b>	9,352.2
Average MPUs (in thousands)	<b>1,054.8</b>	1,767.8
Average monthly ARPPU (RMB)	<b>509.4</b>	419.3
	<hr/>	
	As of	
	<b>June 30, 2023</b>	December 31, 2022
Number of cumulative registered end-users <sup>(1)</sup> (in millions)	<b>432.9</b>	356.1

Note:

- (1) The number of cumulative registered end-users is calculated on the basis of the number of registered accounts on file as of the end of each period.

# Management Discussion and Analysis

We continue investing in improving and expanding our portfolio of game products. As such, we have established a pipeline that we deem viable for future precision marketing, in-depth operation and brand development. As of June 30, 2023, we had 73 game products in our game pipeline.

## OUTLOOK

Looking forward, we will continue to enhance and expand online game publishing business and other marketing business and will continue to expand our product portfolio, identify products with high monetization potentials, diversify the end-user base and deepen content development of popular game products with potential for a longer lifecycle. We also aim to continue enhancing our intelligence technologies and invest in technology and innovation in fields such as digital marketing, AI-powered intelligent engagement, home brands and content development. We will also continue broadening our brand development capabilities and diversifying our sources of income, particularly through “Zha Zha Hui” and “Bro Kooli” and further advancing their full lifecycle value chain and deepening the cooperation with other major market participants, including developers of game products and media platforms.

## FINANCIAL REVIEW

### Revenue

	For the six months ended June 30,			
	2023		2022	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
<b>Online Game Publishing Business and Other Marketing Business</b>				
Game products operated under the self-run model	<b>2,118,937</b>	<b>62.3%</b>	3,261,892	71.9%
Game products operated under the joint-run model	<b>1,105,104</b>	<b>32.5%</b>	1,186,141	26.2%
Others	<b>49,251</b>	<b>1.4%</b>	20,870	0.5%
<i>Subtotal</i>	<b>3,273,292</b>	<b>96.2%</b>	4,468,903	98.6%
<b>Consumer Product Business</b>	<b>126,799</b>	<b>3.8%</b>	66,771	1.4%
<b>Total</b>	<b>3,400,091</b>	<b>100.0%</b>	4,535,674	100.0%

We recorded revenue of RMB3,400.1 million for the six months ended June 30, 2023, representing a decrease of 25.0% from RMB4,535.7 million for the six months ended June 30, 2022. The decrease was primarily due to a decrease in revenue generated from the online game publishing business.

### Online Game Publishing Business and Other Marketing Business

Revenue generated from the game products we market and operate under the self-run model decreased by 35.0% from RMB3,261.9 million for the six months ended June 30, 2022 to RMB2,118.9 million for the six months ended June 30, 2023, primarily due to (i) the delay in the launch of certain new game products under this model, and (ii) certain existing game products entering into a later stage of their lifecycle, which typically result in a significant decrease of revenue generated under the self-run model. The delay in launching new game products in the first half of 2023 was a result of an extended R&D cycle for such new game products through ongoing collaboration with game developers, enabling us to improve and optimize games based on testing performance and the dynamics of the overall game market.

Revenue generated from the game products we market and operate under the joint-run model decreased by 6.8% from RMB1,186.1 million for the six months ended June 30, 2022 to RMB1,105.1 million for the six months ended June 30, 2023, primarily due to the decrease of revenue generated from the launch, marketing and operation of new game products under this model as a result of the delay in the launch of certain new game products under this model, partially offset by the increase of revenue generated from certain existing game products under this model.

## Management Discussion and Analysis

Revenue generated from other marketing business, primarily revenue from provision of marketing online literature products, increased significantly by 135.9% from RMB20.9 million for the six months ended June 30, 2022 to RMB49.3 million for the six months ended June 30, 2023, which was generally in line with the Group's efforts to export its core capabilities to sectors beyond game products.

### **Consumer Product Business**

Revenue generated from consumer products business, primarily including sales of our private-label and local-flavor rice noodle products and other fast consumer foods under the brand "Zha Zha Hui", increased by 89.9% from RMB66.8 million for the six months ended June 30, 2022 to RMB126.8 million for the six months ended June 30, 2023 as a result of the Group's continuous efforts to promote and enhance its consumer product business.

### **Cost of Sales**

The Group's cost of sales remained relatively stable at RMB1,144.5 million and RMB1,106.0 million for the six months ended June 30, 2022 and 2023, respectively.

### **Gross Profit and Gross Profit Margin**

As a result of the foregoing, the Group's total gross profit decreased by 32.4% from RMB3,391.2 million for the six months ended June 30, 2022 to RMB2,294.1 million for the six months ended June 30, 2023.

The Group's gross profit margin decreased from 74.8% for the six months ended June 30, 2022 to 67.5% for the six months ended June 30, 2023, primarily due to the increase in our revenue generated from game products operated under the joint-run model (which generally had a lower gross profit margin) as a percentage of our total revenue.

Gross profit margin for game products operated under the self-run model remained relatively stable at 95.4% and 95.2% for the six months ended June 30, 2022 and 2023, respectively. Gross profit margin for the game products operated under the joint-run model decreased from 19.3% for the six months ended June 30, 2022 to 16.4% for the six months ended June 30, 2023, primarily due to an increase in the portion of gross billings withheld by collaborating distribution channels. Gross profit margin for the consumer product business decreased from 43.6% for the six months ended June 30, 2022 to 38.1% for the six months ended June 30, 2023, as a result of the increase of procurement costs for our rice noodle products in the first half of 2023.

### **Other Income and Gains**

Other income and gains increased by 90.7% from RMB202.6 million for the six months ended June 30, 2022 to RMB386.3 million for the six months ended June 30, 2023, primarily due to an increase in investment income from disposal of financial assets at fair value through profit or loss.

### **Selling and Distribution Expenses**

The Group's selling and distribution expenses decreased by 34.9% from RMB3,000.6 million for the six months ended June 30, 2022 to RMB1,953.2 million for the six months ended June 30, 2023, primarily due to a decrease in marketing and promotion expenses, as certain game products entered into a later stage of their lifecycle, and therefore did not require significant marketing and promotion resources.

### **Administrative Expenses**

The Group's administrative expenses increased by 101.9% from RMB63.2 million for the six months ended June 30, 2022 to RMB127.6 million for the six months ended June 30, 2023, primarily due to (i) an increase of RMB44.1 million in share-based compensation resulting from the new grant pursuant to the Pre-IPO Share Option Plan; and (ii) an increase of RMB12.9 million in listing expenses incurred in relation to the Global Offering.

# Management Discussion and Analysis

## R&D Costs

The Group's R&D costs increased by 22.8% from RMB70.6 million for the six months ended June 30, 2022 to RMB86.7 million for the six months ended June 30, 2023, primarily due to an increase of RMB21.4 million in share-based compensation resulting from the new grant pursuant to the Pre-IPO Share Option Plan.

## Other Expenses

The Group's other expenses increased significantly from RMB1.4 million for the six months ended June 30, 2022 to RMB3.8 million for the six months ended June 30, 2023, primarily due to an increase in donations.

## Finance Costs

The Group's finance costs remained relatively stable at RMB52.9 million and RMB53.4 million for the six months ended June 30, 2022 and 2023, respectively.

## Share of Profits and Losses of Joint Ventures

The Group recorded a gain of RMB2.2 million for the six months ended June 30, 2023, compared to a gain of RMB5.8 million for the six months ended June 30, 2022, as the Group's share of profits and losses of joint ventures, primarily attributable to a decrease in the gain recorded by our joint venture company, Zhejiang Xuwan Technology Co., Ltd. (浙江旭玩科技有限公司) in 2023.

## Share of Profits and Losses of Associates

The Group recorded a loss of RMB13.3 million for the six months ended June 30, 2023, compared to a loss of RMB10.9 million for the six months ended June 30, 2022, as our share of profits and losses of associates, primarily due to an increase in the loss recorded by our associate company, Hangzhou Shengxu Miracle Network Technology Co., Ltd. (杭州盛旭奇跡網絡科技有限公司) in 2023.

## Income Tax Expense

The Group recorded income tax expense of RMB61.1 million and RMB142.4 million for the six months ended June 30, 2022 and 2023, respectively. The increase was primarily attributable to an increase of RMB72.6 million in current tax expense, mainly due to upward adjustments in our preferential tax rates pursuant to the applicable policies.

## Profit for the Period

As a result of the foregoing, the Group's net profit decreased by 11.1% from RMB337.7 million for the six months ended June 30, 2022 to RMB300.3 million for the six months ended June 30, 2023.

## Adjusted profit for the period

To supplement our consolidated financial statements, which are presented in accordance with HKFRSs, we also use the adjusted profit (Non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that the presentation of non-HKFRS measure facilitates comparisons of operating performance from period to period and provides useful information to investors and others to understand and evaluate our consolidated results of operations in the same manner as our management by eliminating potential impacts of items. We also believe that the non-HKFRS measure are appropriate for evaluating our operating performance. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under HKFRS. In addition, this non-HKFRS measure may not be comparable to similar measures presented by other companies.

We define the adjusted profit (Non-HKFRS measure) as the profit for the period, excluding share-based compensation and listing expenses. Share-based compensations are non-cash in nature and do not result in cash outflow, and the adjustment has been consistently made as in the Prospectus. In addition, we exclude listing expenses, as this item arises from activities relating to the Listing. For the six months ended June 30, 2022 and 2023, we recorded adjusted profit (non-HKFRS measure) of RMB345.1 million and RMB433.1 million, respectively.

# Management Discussion and Analysis

## Trade Receivables

Trade receivables primarily consist of outstanding amounts payable by collaborating distribution channels under the joint-run model in the ordinary course of business. Our net trade receivables decreased by 36.2% from RMB426.8 million as of December 31, 2022 to RMB272.5 million as of June 30, 2023, primarily as a result of the settlement of certain trade receivables which were due.

## Trade Payables

Trade payables primarily consist of (i) a portion of gross billing payable to the game developers in connection with end-users' in-game purchases of the products for which the Group provides precision marketing, in-depth operation and brand development services; and (ii) payables to the suppliers, such as server custody service providers and suppliers for the consumer product business. The Groups' trade payables decreased by 7.9% from RMB523.6 million as of December 31, 2022 and RMB482.4 million as of June 30, 2023, mainly due to a decrease in payables to game developers.

## Bills Payables

Bills payables primarily consist of bank acceptance bills and letter of credit made in the ordinary course of our business, mainly attributable to payables to game developers and to collaborating media platforms for marketing and promotion activities. The Group's bills payables decreased by 6.8% from RMB5,640.2 million as of December 31, 2022 to RMB5,256.0 million as of June 30, 2023, mainly due to a decrease in payables to game developers and advertising agencies.

## Investment in Associates

The Group's investment in associates increased from RMB6.0 million as of December 31, 2022 to RMB258.3 million as of June 30, 2023 mainly due to our investment in Jiaxing Xukai Enterprise Management Partnership (Limited Partnership) (嘉興旭愷企業管理合夥企業(有限合夥)) ("Jiaxing Xukai"). With an aim to invest in companies with significant growth potential in the digital mobile game industry, in June 2023, we, together with two independent third parties, namely Shanghai Shengyi Network Technology Co., Ltd. (上海盛薏網絡科技有限公司) and Shanghai Jiale Network Technology Co., Ltd. (上海佳樂網絡科技有限公司), as limited partners and an independent third party, namely Shanghai Erta Network Technology Co., Ltd. (上海爾塔網絡科技有限公司), as general partner, established Jiaxing Xukai. We invested approximately RMB235.2 million for 42% limited partnership interest in Jiaxing Xukai. As of June 30, 2023, Jiaxing Xukai held approximately 1.07% of the total issued shares of Zhejiang Century Huatong Group Co., Ltd. (浙江世紀華通集團股份有限公司) ("Century Huatong"), a listed company on the Shenzhen Stock Exchange (SZSE: 002602).

## Liquidity and Capital Resources

The Group monitored and maintained a level of cash and cash equivalents deemed adequate to finance its operations and mitigate the effects of fluctuations in cash flows. During the Reporting Period, the Group funded its cash requirements principally from cash generated from operating activities. As of June 30, 2023, the Group had cash and cash equivalents of RMB427.0 million, representing cash and bank balance, net of restricted cash. Cash and cash equivalents were held in RMB, HK dollars and US dollars. Going forward, the Group believes that its liquidity requirements will be satisfied by using a combination of cash generated from operating activities, funds raised from the capital markets from time to time and the net proceeds received from the Global Offering. The Group currently does not have any other plans for material additional external financing.

## Bank Borrowings

As of June 30, 2023, the Group had interest-bearing bank and other borrowings of RMB351.0 million. The Group's interest-bearing bank and other borrowings were discounted bills and bank loans provided by commercial banks to the Group, both of which were fully secured by pledges during the ordinary course of business. The interest-bearing bank and other borrowings were denominated in RMB and bear interests at 1.3% to 2.8% per annum.

## Gearing Ratio

The Group monitored its capital sufficiency using gearing ratio. As of June 30, 2023 and December 31, 2022, the Group's gearing ratio (total debt (including interest-bearing bank borrowings and lease liabilities) as a percentage of total equity) as of the end of the Reporting Period) was 0.26 and 0.45, respectively.

## Significant Investments, Material Acquisitions and Disposals

As of June 30, 2023, the Group held an aggregate of RMB607.2 million of listed equity investments at fair value in Century Huatong, representing 6.4% of the Group's total assets as of June 30, 2023. The Group held 80,000,000 shares in Century Huatong, representing approximately 1.07% of its total issued shares, and the investment cost was RMB585.9 million. During the Reporting Period and up to June 30, 2023, the accumulated unrealized fair value gain from such investment amounted to RMB21.3 million. No dividend was received from such investment during the Reporting Period.

# Management Discussion and Analysis

Century Huatong is engaged in automobile components, internet game and artificial intelligence businesses. The Group's investment in Century Huatong is for strengthening strategical alliance with a major player in the digital entertainment industry chain. For details, please refer to the section headed "Waivers and Exemptions — Equity Interests Acquired after the Track Record Period" in the Prospectus.

For the six months ended June 30, 2023, the Group did not conduct any material acquisitions or disposals of subsidiaries, associates and joint ventures and save as disclosed above, there was no other significant investments held (including any investment in an investee company with a value of 5% or more of the Group's total assets) as of June 30, 2023.

## Future Plans for Material Investments and Capital Assets

As of June 30, 2023, the Group had no specific plan for material investments and acquisition of capital assets.

## Capital Expenditure

For the six months ended June 30, 2023, total capital expenditure amounted to approximately RMB11.9 million, which was used in the purchase of property and equipment and other intangible assets.

## Contingent Liabilities

As of June 30, 2023, except for the below civil litigation which is still ongoing, the Company did not have any material contingent liabilities, guarantees of any litigations or claims of material importance, pending or threatened against any member of the Company.

In March 2021, ChuanQi IP Co., Ltd., as the plaintiff, filed a lawsuit in the High People's Court of Fujian Province alleging that (i) the collaboration agreement and other ancillary documents allegedly entered into among one of our joint ventures and two other co-defendants to market and operate the PC version of The Legend of Mir II (熱血傳奇), a game developed by the plaintiff, infringe copyrights of the plaintiff; and (ii) the website allegedly co-established by one of our joint ventures, another co-defendant and us to promote the PC version of The Legend of Mir II (熱血傳奇) involves misleading information and commercial defamation of the plaintiff. The plaintiff sought (i) an injunction against the future operation of the marketing website; and (ii) RMB100.5 million in monetary damages from us and the other co-defendants. This lawsuit was still at its early stage as of June 30, 2023. With respect to this lawsuit, the PRC litigation expert we engaged advises our Company that, (i) we are not a party to the collaboration agreement or any other ancillary documents at issue; (ii) we are not involved in the establishment or operation of the website at issue or other allegedly infringing conducts of our joint ventures at issue; and (iii) it is highly likely that the court will rule in our favor and we will not undertake monetary damages. For details, please refer to the subsection headed "Business — Legal Proceedings and Compliance" in the Prospectus.

## Foreign Exchange Risk and Hedging

The Group's financial statements were expressed in RMB, but the Group undertook certain transactions in foreign currencies, which exposed the Group to foreign currency risk. The Group currently does not hold any financial instruments for hedging purposes. The Group manages its currency risks by closely monitoring the movement of the foreign currency rates and considers hedging significant foreign currency exposure should the need arise.

## Charge on Assets

As of June 30, 2023, the Group had pledged deposits of RMB5,932.6 million, which had been acting as a security for the bills and bank loans made available to the Group.

## Continuing Disclosure Obligations Pursuant to the Listing Rules

As of 30 June 2023, the Group does not have any other obligations required to be disclosed pursuant to Rules 13.20, 13.21 and 13.22 of the Listing Rules.

## Corporate Governance and Other Information

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF OUR COMPANY OR ITS ASSOCIATED CORPORATIONS

As our Company was not listed on the Stock Exchange as of June 30, 2023, Divisions 7 and 8 of Part XV of the SFO and Section 352 of the SFO were not applicable to the Directors or chief executives of our Company.

As of the date of this interim report, the interests or short positions of our Directors and chief executives in the shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code, will be as follows:

#### Interest in Shares and underlying Shares

Name of Director/chief executive	Nature of interest	Number of Ordinary Shares	Approximate percentage of shareholding in the total issued share capital of the Company
Mr. WU Xubo <sup>(1)(2)</sup>	Settlor of a discretionary trust; beneficiary of a trust; interest in a controlled corporation <sup>(1)</sup>	264,263,000 (L)	49.45% (L)
	Beneficial interest <sup>(2)</sup>	4,255,157 (L)	0.80% (L)
Ms. WU Xuan <sup>(3)</sup>	Settlor of a discretionary trust; beneficiary of a trust; interest in controlled corporation <sup>(3)</sup>	38,487,000 (L)	7.20% (L)

(L) denotes a long position

Notes:

- Mr. WU Xubo holds his 264,263,000 Shares through WXB BVI 2, which is owned by WXB BVI 1 and WXB Holdco as to 50.00% and 50.00%, respectively. WxLand Trust was established by Mr. WU Xubo as the settlor and TMF (Cayman) Ltd. as the trustee. WxLand Trust is a discretionary trust and its beneficiaries are Mr. WU Xubo and WXB BVI 1.
- Mr. WU Xubo was granted options under the Pre-IPO Share Option Plan on November 16, 2022, March 16, 2023, March 31, 2023, June 30, 2023, July 31, 2023 and September 7, 2023 to subscribe for 3,819,592 Shares, 61,855 Shares, 10,309 Shares, 167,525 Shares, 41,237 Shares and 154,639 Shares, respectively.
- Ms. WU Xuan held her Shares through WxZela International Ltd, which is wholly-owned by Zela Holding Limited, and is in turn wholly-owned by WxZela Trust. WxZela Trust is a discretionary trust established by Ms. WU Xuan (as settlor) for the benefit of WxZela Holding Limited, a BVI company wholly-owned by Ms. WU Xuan, and is managed by Trident Trust Company (HK) Limited.

#### Interest in associated corporation

Name of Director/chief executive	Nature of interest	Associated corporations	Number of ordinary shares (registered share capital (RMB))	Approximate percentage of shareholding in the associated corporation
Mr. WU Xubo	Interest in controlled corporation <sup>(1)</sup>	Jiangxi Tanwan	4,550,000 (L)	45.50% (L)
	Beneficial Owner <sup>(1)</sup>		635,260 (L)	6.35% (L)
Ms. WU Xuan	Interest in controlled corporation <sup>(2)</sup>	Jiangxi Tanwan	1,164,740 (L)	11.65% (L)
	Beneficial Owner <sup>(2)</sup>		300,000 (L)	3.00% (L)

## Corporate Governance and Other Information

### Notes:

- (1) Mr. WU Xubo held approximately 6.35% equity interests in Jiangxi Tanwan directly. Shangrao Hongbang, the general partner of which is Mr. WU Xubo, held 45.50% equity interests in Jiangxi Tanwan.
- (2) Ms. WU Xuan held 3.00% equity interests in Jiangxi Tanwan directly. Shangrao Qichuang, the general partner of which is Ms. WU Xuan held approximately 11.65% equity interests in Jiangxi Tanwan.

As of the date of this interim report, save as disclosed above, so far as is known to any Director or the chief executive of the Company, none of the Directors nor the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (b) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As stated above, the shares of our Company were not listed on the Stock Exchange as of June 30, 2023. Accordingly, Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable to the substantial shareholders of our Company.

As of the date of this interim report, so far as our Directors are aware, the persons who held interests and/or short positions in the Shares or underlying Shares of our Company as recorded in the register required to be kept pursuant to Section 336 of the SFO are set out in the table below:

Name of Shareholder	Nature of interest	Number of Ordinary Shares	Approximate percentage of shareholding in the total issued share capital of the Company
Mr. WU Xubo <sup>(1)(2)</sup>	Settlor of a discretionary trust; beneficiary of a trust; interest in a controlled corporation <sup>(1)</sup>	264,263,000 (L)	49.45% (L)
	Beneficial interest <sup>(2)</sup>	4,255,157 (L)	0.80% (L)
WXB BVI 2 <sup>(1)</sup>	Beneficial interest	264,263,000 (L)	49.45% (L)
WXB BVI 1 <sup>(1)</sup>	Interest in a controlled corporation	264,263,000 (L)	49.45% (L)
WXB Holdco <sup>(1)</sup>	Interest in a controlled corporation	264,263,000 (L)	49.45% (L)
TMF (Cayman) Ltd. <sup>(1)</sup>	Trustee of a trust	264,263,000 (L)	49.45% (L)
WxWorld Holding Limited <sup>(3)</sup>	Beneficial interest	28,000,000 (L)	5.24% (L)

(L) denotes a long position

### Notes:

- (1) Mr. WU Xubo holds his 264,263,000 Shares through WXB BVI 2, which is owned by WXB BVI 1 and WXB Holdco as to 50.00% and 50.00%, respectively. WxLand Trust was established by Mr. WU Xubo as the settlor and TMF (Cayman) Ltd. as the trustee. WxLand Trust is a discretionary trust and its beneficiaries are Mr. WU Xubo and WXB BVI 1.
- (2) Mr. WU Xubo was granted options under the Pre-IPO Share Option Plan on November 16, 2022, March 16, 2023, March 31, 2023, June 30, 2023, July 31, 2023 and September 7, 2023 to subscribe for 3,819,592 Shares, 61,855 Shares, 10,309 Shares, 167,525 Shares, 41,237 Shares and 154,639 Shares, respectively.
- (3) WxWorld Holding Limited is controlled by Mr. CHEN Yang, an employee of the Company. Therefore, Mr. CHEN Yang is also deemed to be interested in 28,000,000 Shares held by WxWorld Holding Limited under the SFO.

## Corporate Governance and Other Information

As of the date of this interim report, save as disclosed above, the Directors and the chief executives of the Company are not aware of any other person (other than the 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 be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### USE OF PROCEEDS FROM GLOBAL OFFERING

On September 28, 2023, the Shares of our Company were listed on the Main Board of the Stock Exchange. The net proceeds from the Global Offering, after deducting underwriting discounts and commissions, were approximately HK\$138.7 million, which will be used in accordance with the intended use of net proceeds as disclosed in the Prospectus by the Company.

- approximately 30.0%, will be used to enhance and expand our online game publishing business and other marketing business and consumer product business over the next four years, including:
  - approximately 25.0%, will be used to enhance and expand the product/sector coverage of our online game publishing business and other marketing business; and
  - approximately 5.0%, will be used to enhance and expand our consumer product business.
- approximately 30.0%, will be allocated to expand and deepen our partnership with major market participants throughout the full lifecycle value chain to fulfill our growth strategy over the next four years, including:
  - approximately 28.0%, will be used to strengthen our relationships with mainstream media platforms to enhance our brand awareness and end-user coverage, including:
    - increasing marketing expenses with mainstream online media platforms to meet the evolving needs of the end-users and to further expand our collaborations with new online media platforms;
    - expanding offline mainstream media platform collaborations, mainly through media promotion and multi-dimension offline marketing activities;
    - promoting consumer product business through offline channels in second-tier cities or cities with great market potentials; and
    - collaborating with external professional marketing team to design marketing materials for our integrated online and offline marketing activities; and
  - approximately 2.0%, will be used to hire additional marketing and operation personnel with competitive compensation.
- approximately 10.0%, will be allocated to improve our technology infrastructure and enhance our internal research and development capabilities over the next four years, including:
  - approximately 6.0%, will be used to upgrade and strengthen our IT infrastructure to support our business growth; and
  - approximately 4.0%, will be used to build up our IT team and strengthen our R&D capabilities. We plan to recruit 60 more IT staff over the next four years, including programmers, software developing and testing engineers, big data developers and algorithm experts.

## Corporate Governance and Other Information

- approximately 10.0%, will be used to support our overall strategies of expanding into select markets outside China and developing our overseas operation over the next four years, including:
  - approximately 4.5%, will be used to expand the market share of our online game publishing business and consumer product business;
  - approximately 4.0%, will be used to develop our online game publishing capabilities overseas through engaging international celebrities and KOLs to enhance our brand recognition; and
  - approximately 1.5%, will be used to recruit additional talents to support our expansion and development strategies in overseas markets.
- approximately 10.0%, will be used for exploring potential strategic acquisition opportunities starting from the second through the fourth year after the Listing. We believe it will allow us to expand our existing game product offerings, improve our technology capabilities, and enhance our value proposition to our clients.
- approximately 10.0%, will be used for our working capital and general corporate purposes over the next four years.

For details, see section headed “Future Plans and Use of Proceeds” in the Prospectus.

Since the Listing Date and as of the date of this interim report, our Company has not utilized any net proceeds from the Global Offering. There has been no change in the intended use of net proceeds disclosed in the Prospectus, and our Company plans to gradually utilize the net proceeds in accordance with such intended purposes depending on actual business.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

As the Company’s shares were not listed on the Stock Exchange during the six months ended June 30, 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities from the Listing Date to the date of this interim report.

### EMPLOYEES AND REMUNERATION POLICIES

As of the date of this interim report, we had 1,218 full-time employees, all of whom were based in China. The following table sets forth the numbers of our employees categorized by function as of the date of this interim report:

	Number of employees	% of total
Operations	359	29.5
R&D	314	25.8
Sales and marketing	403	33.1
General administration	142	11.7
<b>Total</b>	<b>1,218</b>	<b>100.0</b>

## Corporate Governance and Other Information

We offer our employees competitive compensation packages and a collaborative working environment and, as a result, we have generally been able to attract and retain qualified personnel and maintain a stable, core management team. We compensate our employees with salaries, allowances and benefits in kind, equity-settled share payment expenses and pension scheme contributions. Our employee-related insurance consists of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance, medical insurance and housing funds, as required by Chinese laws and regulations. We also purchase supplemental commercial medical insurance and accident insurance for our employees.

### PRE-IPO SHARE OPTION PLAN

The Pre-IPO Share Option Plan was adopted on November 4, 2022. A summary of the principal terms of the Pre-IPO Share Option Plan is set out in the section headed “Statutory and General Information — D. Pre-IPO Share Option Plan” in Appendix IV to the Prospectus. As of June 30, 2023, all underlying Shares under the Pre-IPO Share Option Plan, being 17,463,918 (representing approximately 3.27% of the issued Share capital of our Company as of the date of this interim report) had been issued to the ESOP BVIs for and on behalf of the grantees. All options available under the Pre-IPO Share Option Plan had been granted by the Company to eligible grantees prior to the Listing. The Pre-IPO Share Option Plan is a share scheme of the Company involving its existing Shares.

### CONTRACTUAL ARRANGEMENTS

The Board has reviewed the overall performance of the Contractual Arrangements and believes that the Group complied with the Contractual Arrangements in all material respects during the Reporting Period and up to the date of this interim report. Please refer to the section headed “Contractual Arrangements” of the Prospectus for details.

### COMPLIANCE WITH THE MODEL CODE

Our Company has adopted the Model Code as its code of conduct regarding directors’ dealing in the Company’s securities. As the Shares of our Company were not yet listed on the Stock Exchange as of June 30, 2023, the Model Code was not applicable to our Company during the Reporting Period. Having made specific enquiries to all of the Directors, all Directors confirmed that they have fully complied with all relevant requirements set out in the Model Code from the Listing Date to the date of this interim report.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company’s corporate governance practices are based on the principles and code provisions set forth in the Corporate Governance Code. As the Shares of our Company were not yet listed on the Stock Exchange as of June 30, 2023, the principles and code provisions of the Corporate Governance Code were not applicable to the Company during the Reporting Period.

From the Listing Date to the date of this interim report, our Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules except for code provision C.2.1 as explained below.

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The roles of chairman of the Board and chief executive officer of our Company are currently performed by Mr. WU Xubo. In view of Mr. WU’s substantial contribution to our Group since our establishment and his extensive experience, we consider that having Mr. WU acting as both our chairman and chief executive officer will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it is appropriate and beneficial to our business development and prospects that Mr. WU continues to act as both our chairman and chief executive officer of our Company, and therefore currently do not propose to separate the functions of chairman and chief executive officer.

## Corporate Governance and Other Information

The Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and our Board comprises three independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Mr. WU and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

### CHANGES IN DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Since the date of the Prospectus and up to the date of this interim report, there has been no change to the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### REVIEW OF THE INTERIM REPORT BY THE AUDIT COMMITTEE

We have established the Audit Committee with terms of reference in compliance with Rule 3.21 of the Listing Rules as well as paragraph D.3 of part 2 of the Corporate Governance Code. The Audit Committee consists of three independent non-executive Directors, namely, Ms. ZHENG Yi, Ms. SONG Siyun and Mr. QIN Yongde. The chairlady of the Audit Committee is Ms. ZHENG Yi, who has the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The interim report has been reviewed by the Audit Committee.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal controls and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2023. The Audit Committee considers that the interim financial results for the six months ended June 30, 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

### INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended June 30, 2023.

### EVENT AFTER THE END OF THE REPORTING PERIOD

On August 15, 2023, the Company declared a special dividend in the amount of RMB50,000,000, the payment of which was fully settled in the same month by cash using internal resources.

The Company's Shares were listed on the Main Board of the Stock Exchange on September 28, 2023.

After the Reporting Period and up to the date of this interim report, save as disclosed in the Prospectus, there were no other significant events occurred which have a material adverse impact on the performance and value of our Group.

By Order of the Board

**Mr. WU Xubo**

*Chairman*

Hong Kong, September 28, 2023

# Independent Review Report

## To the board of directors of ZX Inc.

*(Incorporated in Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 40, which comprises the condensed consolidated statement of financial position of ZX Inc. (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2023 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 (“**HKSRE 2410**”) *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. 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 financial information is not prepared, in all material respects, in accordance with HKAS 34.

### Ernst & Young

*Certified Public Accountants*

Hong Kong

28 September 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)
<b>REVENUE</b>	5	<b>3,400,091</b>	4,535,674
Cost of sales		<b>(1,106,013)</b>	(1,144,454)
Gross profit		<b>2,294,078</b>	3,391,220
Other income and gains		<b>386,310</b>	202,624
Selling and distribution expenses		<b>(1,953,214)</b>	(3,000,572)
Administrative expenses		<b>(127,620)</b>	(63,243)
Research and development costs		<b>(86,694)</b>	(70,618)
Impairment losses on financial assets, net		<b>(1,905)</b>	(1,172)
Other expenses		<b>(3,846)</b>	(1,392)
Finance costs		<b>(53,365)</b>	(52,940)
Share of profits and losses of:			
Joint ventures		<b>2,226</b>	5,786
Associates		<b>(13,316)</b>	(10,900)
<b>PROFIT BEFORE TAX</b>	6	<b>442,654</b>	398,793
Income tax expense	7	<b>(142,393)</b>	(61,120)
<b>PROFIT FOR THE PERIOD</b>		<b>300,261</b>	337,673
Attributable to:			
Owners of the parent		<b>275,654</b>	338,199
Non-controlling interests		<b>24,607</b>	(526)
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic (RMB)	9	<b>0.55</b>	N/A
Diluted (RMB)		<b>0.55</b>	N/A

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	<b>2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	2022 RMB'000 (Unaudited)
<b>PROFIT FOR THE PERIOD</b>	<b>300,261</b>	337,673
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of associates	<b>20,698</b>	—
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>20,698</b>	—
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>320,959</b>	337,673
Attributable to:		
Owners of the parent	<b>296,352</b>	338,199
Non-controlling interests	<b>24,607</b>	(526)

# Interim Condensed Consolidated Statement of Financial Position

30 June 2023

		<b>30 June 2023</b>	31 December 2022
	<i>Notes</i>	<b>RMB'000 (Unaudited)</b>	RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property and equipment	10	<b>182,119</b>	79,169
Right-of-use assets		<b>202,964</b>	180,229
Goodwill		<b>42,499</b>	42,499
Other intangible assets		<b>31,949</b>	43,734
Investment in joint ventures		<b>269,214</b>	267,188
Investment in associates		<b>258,340</b>	5,992
Financial assets at fair value through profit or loss	12	<b>5,000</b>	—
Deferred tax assets		<b>42,491</b>	47,857
Prepayments, other receivables and other assets		<b>82,566</b>	119,183
Pledged deposits		<b>2,962,900</b>	3,395,558
<b>Total non-current assets</b>		<b>4,080,042</b>	4,181,409
<b>CURRENT ASSETS</b>			
Inventories		<b>3,436</b>	4,424
Trade receivables	11	<b>272,512</b>	426,817
Prepayments, other receivables and other assets		<b>674,180</b>	667,323
Amounts due from related parties	18	<b>18,981</b>	16,981
Financial assets at fair value through profit or loss	12	<b>848,100</b>	1,271,335
Pledged deposits		<b>2,969,685</b>	3,006,801
Restricted cash		<b>164,168</b>	10,394
Cash and cash equivalents		<b>426,999</b>	213,422
<b>Total current assets</b>		<b>5,378,061</b>	5,617,497
<b>CURRENT LIABILITIES</b>			
Trade payables	13	<b>482,393</b>	523,649
Bills payables	14	<b>5,255,970</b>	5,640,211
Other payables and accruals		<b>670,855</b>	901,219
Interest-bearing bank borrowings		<b>350,980</b>	555,844
Lease liabilities		<b>19,019</b>	21,247
Tax payable		<b>364,723</b>	247,796
<b>Total current liabilities</b>		<b>7,143,940</b>	7,889,966
<b>NET CURRENT LIABILITIES</b>		<b>(1,765,879)</b>	(2,272,469)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,314,163</b>	1,908,940

# Interim Condensed Consolidated Statement of Financial Position

30 June 2023

		<b>30 June 2023</b>	31 December 2022
	<i>Notes</i>	<b>RMB'000 (Unaudited)</b>	RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>177,364</b>	190,754
Provision		<b>3,050</b>	9,150
<b>Total non-current liabilities</b>		<b>180,414</b>	199,904
<b>Net assets</b>		<b>2,133,749</b>	1,709,036
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	15	<b>74</b>	74
Treasury shares	15	<b>(3)</b>	(3)
Reserves		<b>2,141,102</b>	1,731,686
		<b>2,141,173</b>	1,731,757
Non-controlling interests		<b>(7,424)</b>	(22,721)
<b>Total equity</b>		<b>2,133,749</b>	1,709,036

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the parent									
	Share capital RMB'000 (note 14)	Treasury shares RMB'000 (note 14)	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Share incentive reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
<b>At 31 December 2022 (audited) and 1 January 2023</b>	74	(3)	6,643	5,000	2,144,409	—	(424,366)	1,731,757	(22,721)	1,709,036
Profit for the period	—	—	—	—	—	—	275,654	275,654	24,607	300,261
Other comprehensive income for the period:										
Proportion interest in the investee arising from changes in the investee's other comprehensive income, net of tax (unaudited)	—	—	—	—	—	20,698	—	20,698	—	20,698
Total comprehensive income for the period	—	—	—	—	—	20,698	275,654	296,352	24,607	320,959
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	(9,800)	(9,800)
Equity-settled share option arrangements	—	—	—	—	112,554	—	—	112,554	—	112,554
Changes in non-controlling interests without loss of control	—	—	510	—	—	—	—	510	490	1,000
<b>At 30 June 2023 (unaudited)</b>	74	(3)	7,153*	5,000*	2,256,963*	20,698*	(148,712)*	2,141,173	(7,424)	2,133,749
	Attributable to owners of the parent									
	Share capital RMB'000 (note 14)	Treasury shares RMB'000 (note 14)	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Share incentive reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000	
<b>At 31 December 2021 (audited) and 1 January 2022</b>	—	—	9,620	5,000	2,101,526	(938,433)	1,177,713	(3,482)	1,174,231	
Profit for the period	—	—	—	—	—	338,199	338,199	(526)	337,673	
Total comprehensive income for the period	—	—	—	—	—	338,199	338,199	(526)	337,673	
Changes in non-controlling interests without loss of control	—	—	—	—	—	—	—	29	29	
<b>At 30 June 2022 (unaudited)</b>	—	—	9,620*	5,000*	2,101,526*	(600,234)*	1,515,912	(3,979)	1,511,933	

\* These reserve accounts comprise the consolidated reserves of RMB2,141,102,000 in the interim consolidated statement of financial position as at 30 June 2023 (30 June 2022: RMB1,515,912,000).

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>442,654</b>	398,793
Adjustments for:			
Finance costs		<b>53,365</b>	52,940
Foreign exchange loss/(gain), net	6	<b>77</b>	(1,644)
Bank interest income		<b>(94,570)</b>	(77,658)
Share of profits and losses of joint ventures and associates		<b>11,090</b>	5,114
(Gain)/loss on disposal of subsidiaries	6	<b>(58)</b>	625
Investment income from financial assets at fair value through profit or loss	6	<b>(250,231)</b>	(3,447)
Fair value gain on financial assets at fair value through profit or loss	6	<b>(23,113)</b>	(83,974)
Equity-settled share-based payment expenses	6	<b>112,554</b>	—
Impairment of trade receivables, net	6	<b>(50)</b>	172
Impairment of financial assets included in other receivables	6	<b>1,955</b>	1,000
Loss on disposal of items of property and equipment	6	<b>683</b>	—
Gain on lease modification	6	<b>(3,908)</b>	(2,937)
Depreciation of property and equipment		<b>8,797</b>	6,251
Depreciation of right-of-use assets	6	<b>13,375</b>	15,583
Amortisation of other intangible assets	6	<b>17,623</b>	32,262
Decrease/(increase) in inventories		<b>988</b>	(1,361)
Decrease/(increase) in trade and bills receivables		<b>154,355</b>	(224,997)
Increase in prepayments, other receivables and other assets		<b>(85,846)</b>	(237,165)
Increase in amounts due from related parties		<b>(2,000)</b>	—
(Decrease)/increase in trade payables		<b>(41,256)</b>	33,515
(Decrease)/increase in bills payables		<b>(384,241)</b>	1,436,073
(Decrease)/increase in other payables and accruals		<b>(277,761)</b>	137,034
Increase in amounts due to related parties		<b>—</b>	994
(Increase)/decrease in restricted cash		<b>(1,450)</b>	6,500
Cash generated from operations		<b>(346,968)</b>	1,493,673
Interest received		<b>2,872</b>	3,766
Interest paid		<b>(44,637)</b>	(44,269)
Income tax paid		<b>(20,100)</b>	(10,278)
Net cash flows (used in)/generated from operating activities		<b>(408,833)</b>	1,442,892

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

Notes	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	91,698	73,892
Dividends received from a joint venture	200	—
Purchases of items of property and equipment	(6,098)	(30,643)
Proceeds from disposal of items of property and equipment	3,044	471
Additions to other intangible assets	(5,838)	(45,337)
Purchases of investments in associates	(244,966)	(24,800)
Disposal of an investment in a joint venture	10,000	—
Purchase of financial assets at fair value through profit or loss	(2,313,754)	(4,170,798)
Disposal of financial assets at fair value through profit or loss	3,005,333	3,674,141
Decrease/(increase) in pledged time deposits	469,774	(1,860,912)
	<b>1,009,393</b>	<b>(2,383,986)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment for deferred listing expenses	(2,955)	(1,298)
New bank loans	132,617	579,327
Repayment of bank loans	(339,637)	(32,000)
Interest paid	(2,008)	(7,905)
Principal portion of lease payments	(6,542)	(10,449)
Interest portion of lease payments	(4,564)	(5,001)
Capital injection from non-controlling interests	1,000	—
Dividends paid to non-controlling shareholders	(9,800)	—
(Increase)/decrease in restricted cash	(152,324)	16,763
Increase in rental deposits	(2,770)	—
	<b>(386,983)</b>	<b>539,437</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>213,577</b>	<b>(401,657)</b>
Cash and cash equivalents at beginning of period	213,422	693,608
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>426,999</b>	<b>291,951</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Unrestricted cash and bank balances	426,999	271,951
Time deposits with original maturity of less than three months	—	20,000
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE INTERIM CONDENSED STATEMENTS OF CASH FLOWS AND INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION</b>	<b>426,999</b>	<b>291,951</b>

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 18 March 2021 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands. The registered address of the office of the Company is 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in providing product marketing and operation services to online games in the People’s Republic of China (hereafter, the “**PRC**”).

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. These interim condensed consolidated financial information are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial information is consistent with those of the Group’s Historical Financial Information as set out in the accountants’ report in Appendix I to the Company’s prospectus dated 18 September 2023 (the “**Prospectus**”).

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s Historical Financial Information included in the accountants’ report as set out in Appendix I to the Prospectus.

The Group recorded net current liabilities of RMB1,765,879,000 as at 30 June 2023, which was primarily due to certain of the Group’s interest-bearing bank borrowings and bills payables being secured by long term fixed deposits of RMB3,033,575,000 that can be used to settle the Group’s current liabilities before maturity. The directors of the Group have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the long term fixed deposits available to the Group and the internally generated funds from operations, the directors believe that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due. Therefore, the interim condensed consolidated financial information has been prepared on a going concern basis.

## 3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the preparation of the interim condensed consolidated financial information.

<b>Amendments to HKFRS 16</b>	<i>Lease Liability in a Sale and Leaseback</i> <sup>1</sup>
<b>Amendments to HKAS 1</b>	<i>Classification of Liabilities as Current or Non-current (the “<b>2020 Amendments</b>”)</i> <sup>1, 2</sup>
<b>Amendments to HKAS 1</b>	<i>Non-current Liabilities with Covenants (the “<b>2022 Amendments</b>”)</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group has expected that these standards will not have significant effect on the Group's financial performance and financial position.

## 4. OPERATING SEGMENT INFORMATION

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

### Geographical information

#### (a) Revenue from external customers

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	3,268,089	4,475,017
Hong Kong	132,002	60,657
	<b>3,400,091</b>	4,535,674

#### (b) Non-current assets

As at 31 December 2022 and 30 June 2023, substantially all of the non-current assets of the Group were located in the PRC.

### Information about major customers

Revenue from customers which amounted to more than 10% of the Group's revenue during the six months ended 30 June 2023 and 2022 are set out below:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	1,066,291	1,329,331
Customer B	696,796	1,766,515
Customer C	502,976	NA*

\* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the respective period.

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 5. REVENUE

### Disaggregated revenue information

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Type of goods or services</b>		
Game marketing and operation — Self-run model*	<b>2,118,937</b>	3,261,892
Game marketing and operation — Joint-run model	<b>1,105,104</b>	1,186,141
Other marketing services	<b>49,251</b>	20,870
Sales of products	<b>126,799</b>	66,771
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>3,400,091</b>	4,535,674
	<hr/>	<hr/>
<b>Timing of revenue recognition</b>		
Services transferred over time	<b>474,194</b>	611,863
Services transferred at a point in time	<b>2,799,098</b>	3,857,040
Goods transferred at a point in time	<b>126,799</b>	66,771
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>3,400,091</b>	4,535,674
	<hr/>	<hr/>
<b>Geographical markets</b>		
Mainland China	<b>3,268,089</b>	4,475,017
Hong Kong	<b>132,002</b>	60,657
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>3,400,091</b>	4,535,674
	<hr/>	<hr/>

\* Included the revenue of marketing and operation support services provided to third party publishers amounted to RMB38,228,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB44,757,000).

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 6. PROFIT BEFORE TAX

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

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Costs of services charged by the collaborating distribution		898,066	919,269
Cost of products sold		76,470	36,680
Promotion expenses		1,851,249	2,921,880
Employee benefit expense: (including directors' and chief executives' remuneration)			
Wages and salaries		133,527	147,356
Equity-settled-based payment expenses		112,554	—
Pension scheme contributions*(defined contribution)		14,633	19,717
		<b>260,714</b>	167,073
Depreciation of property and equipment		8,797	6,251
Depreciation of right-of-use assets		13,375	15,583
Amortisation of other intangible assets		17,623	32,262
Lease payments not included in the measurement of lease liabilities		180	—
Gain on lease modification		(3,908)	(2,937)
Foreign exchange differences, net		77	(1,644)
Impairment of trade receivables, net		(50)	172
Impairment of financial assets included in other receivables		1,955	1,000
Fair value gain on financial assets at fair value through profit or loss		(23,113)	(83,974)
Gain on disposal of financial assets at fair value through profit or loss		(250,231)	(3,447)
(Gain)/loss on disposal of subsidiaries		(58)	625
Loss on disposal of items of property and equipment, net	10	683	—

\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 7. INCOME TAX

The Group is subject to income tax on an entity basis on profit 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 Cayman Islands and the British Virgin Islands, the Company and its subsidiaries are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assembled profit arising in Hong Kong during the six months ended 30 June 2023.

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

Guangzhou Zhongxu Future Technology Co., Ltd. (“**ZX WFOE**”), an indirect wholly-owned subsidiary of the Company, were accredited as “software enterprises” in 2021 under relevant PRC laws and regulations. Accordingly, ZX WFOE are exempt from Corporate Income Tax (“**CIT**”) for 2021 and 2022, followed by a 50% reduction in the applicable tax rates from 2023 to 2025.

The following table sets forth a breakdown of our income tax expense for the period indicated:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current income tax — Mainland China	<b>137,028</b>	64,420
Deferred income tax	<b>5,365</b>	(3,300)
Total tax charge for the period	<b>142,393</b>	61,120

## 8. DIVIDENDS

No dividends had been paid or declared by the Company during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

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

Earnings per share information was not presented for six months ended 30 June 2022 as the reorganization was not completed until 22 November 2022.

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 498,000,000 in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

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

	<b>Six months ended 30 June 2023 (Unaudited)</b>
Earnings	
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000)	<b>275,654</b>
Shares	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>498,000,000</b>
Effect of dilution — weighted average number of ordinary shares	<b>3,556,258</b>
	<hr/>
Weighted average number of ordinary shares for the purpose of calculating diluted earning share	<b>501,556,258</b>
	<hr/>

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets at a cost of RMB6,098,000 (30 June 2022: RMB30,643,000).

Assets with a net book value of RMB3,727,000 were disposed of by the Group during the six months ended 30 June 2023 (30 June 2022: RMB471,000), resulting in a net loss on disposal of RMB683,000 (30 June 2022: Nil).

## 11. TRADE RECEIVABLES

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

	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	<b>269,558</b>	424,403
1 to 2 years	<b>2,928</b>	2,222
Over 2 years	<b>26</b>	192
	<b>272,512</b>	426,817

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
Non-current portion		
Unlisted equity investments, at fair value	<b>5,000</b>	—
Current portion		
Wealth management products, at fair value	<b>240,900</b>	471,530
Listed equity investments, at fair value	<b>607,200</b>	799,805
	<b>848,100</b>	1,271,335
	<b>853,100</b>	1,271,335

The above unlisted equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The above wealth management products were issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. As at 30 June 2023 and 31 December 2022, the carrying amounts of wealth management products of RMB212,798,000 and RMB471,530,000 were pledged for discounted bills and bills payables.

The above listed equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The fair value of the unlisted equity investments were recognised based on the unobservable inputs of valuation models and were within level 3 of the fair value hierarchy. The fair values of wealth management products were recognised based on the observable inputs of valuation models from the private equity funds and were within level 2 of the fair value hierarchy. The fair values of investment in listed companies were recognised at quoted price in active markets.

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 13. TRADE PAYABLES

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

	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	<b>475,980</b>	521,280
1 to 2 years	<b>4,415</b>	1,464
2 to 3 years	<b>1,215</b>	134
Over 3 years	<b>783</b>	771
	<b>482,393</b>	523,649

## 14. BILLS PAYABLES

An ageing analysis of the bills payables as at the end of the reporting period, based on the maturity dates of bills, is as follows:

	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
Within 3 months	<b>2,274,730</b>	1,034,539
3 to 12 months	<b>2,981,240</b>	4,605,672
	<b>5,255,970</b>	5,640,211

The time deposits and financial assets at fair value through profit or loss in total of RMB6,314,746,000 and RMB5,791,347,000 were pledged for bills payables as at 31 December 2022 and 30 June 2023.

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 15. SHARE CAPITAL AND TREASURY SHARES

### Shares

	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
Authorised:		
50,000 ordinary shares of US\$1.0 each	—	—
2,500,000,000 ordinary shares of US\$0.00002 each	<b>319</b>	319
Issued:		
515,463,918 ordinary shares*	<b>74</b>	74

\* As at 31 December 2022 and 30 June 2023, the total number of issued ordinary shares included 17,463,918 shares held for share option scheme, with par values of RMB3,000.

## 16. CONTINGENT LIABILITIES

In March 2021, ChuanQi IP Co., Ltd. filed a civil litigation before Fujian Higher People's Court, indicted a total of five defendants including the Group, infringed the computer software copyright of the game "legend of Mir II", and put forward a lawsuit requesting the five defendants to immediately stop infringing the plaintiff's copyright and using any licencing activities related to the game "legend of Mir II" and close www.xuw.com, and also request the five defendants to jointly and severally compensate RMB100.5 million. After Fujian Higher People's Court accepted the case in April 2021, all defendants raised objections to jurisdiction. In February 2023, the Fujian Provincial Higher People's Court rejected the defendants' objection to jurisdiction in the case. In March 2023, the Group filed an appeal against the above ruling. In July 2023, the Supreme People's Court ruled to reject the appeal and maintain the original ruling, and the case continues to be heard by the Fujian Higher People's Court. The directors of the Company, based on the advice from the Company's legal counsel and the progress of the case, believe that the ultimate outcome of this litigation cannot be reliably estimated.

## 17. COMMITMENTS

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

	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
Contracted, but not provided for:		
Capital contributions payable to investees	<b>29,200</b>	29,000

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 18. RELATED PARTY TRANSACTIONS

The following significant transactions were carried out between the Group and its related parties during the period presented.

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

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

Name of related parties	Relationship with the Group
Guangzhou Ziyun Cloud Computing Co., Ltd. (“ <b>Guangzhou Ziyun</b> ”)	Joint venture
Guangzhou Zeda New Culture and Creative Industry Development Co., Ltd. (“ <b>Guangzhou Zeda</b> ”)	Joint venture
Kairui (Hangzhou) Information Technology Co., Ltd. (“ <b>Kairui</b> ”)*	Subsidiary of joint venture before 15 July 2022
Fuzhou Zizai Entertainment Internet Technology Co., Ltd. (“ <b>Fuzhou Zizai</b> ”)	Associate
Mr. Wu Xubo	Key management personnel
Ms. Wu Xuan	Key management personnel
Mr. Luo Xihu	Key management personnel

\* Kairui was disposed by the joint venture on 15 July 2022, after which it has not been a related party of the Group.

### (b) Significant transactions with related parties

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Purchase of server custody service from Guangzhou Ziyun	—	278
Marketing and operation service provided to Kairui	—	1,017
	—	1,295

The purchase of server custody service from the related party and marketing services provided to the related party were made according to the prices and terms agreed between the parties.

### (c) Other transactions with related parties

The Group's investment in Guangzhou Zeda was pledged to the Agricultural Bank of China to guarantee the bank borrowings of Guangzhou Zeda with the maximum guarantee amount of RMB405,000,000 as at 30 June 2023 (31 December 2022: Nil).

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 18. RELATED PARTY TRANSACTIONS (Continued)

### (d) Outstanding balances with related parties

Amounts due from related parties

	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
Fuzhou Zizai*	<b>18,981</b>	16,981
	<b>18,981</b>	16,981

\* The amounts due from Fuzhou Zizai are prepayment and trade in nature.

An impairment analysis is performed at each reporting date using a loss rate approach to measure expected credit losses. During the period, the Group estimated that the expected loss rate for the above receivables is not material.

### (e) Compensation of key management personnel of the Group:

	<b>Six months ended 30 June</b>	
	<b>2023 RMB'000 (Unaudited)</b>	2022 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	<b>1,192</b>	885
Share-based payments	<b>24,652</b>	—
Pension scheme contributions	<b>21</b>	22
	<b>25,865</b>	907

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 30 June 2023 and 31 December 2022, 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 deposits, trade receivables, amounts due from related parties, financial assets included in prepayments, other receivables and other assets, trade payables, amounts due to related parties, financial liabilities included in other payables and accruals, and discounted bills 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 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 the non-current portion of lease liabilities, non-current portion of pledged deposits and non-current portion of time deposit have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at the end of each of the reporting period were assessed to be insignificant.

The Group has unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of listed equity investments are based on quoted market prices.

For the fair value of the unlisted equity investments, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

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

### Fair value hierarchy

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

#### **Assets measured at fair value:**

*As at 30 June 2023 (Unaudited)*

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	607,200	240,900	5,000	853,100

*As at 31 December 2022 (Audited)*

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	799,805	471,530	—	1,271,335

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets and financial liabilities.

# Notes to Interim Condensed Consolidated Financial Information

30 June 2023

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

### Fair value hierarchy (Continued)

#### Assets for which fair values are disclosed:

As at 30 June 2023 (Unaudited)

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Pledged deposits, non-current portion	—	2,962,900	—	2,962,900
Non-pledged time deposit with original maturity of over one year	—	70,675	—	70,675
	—	3,033,575	—	3,033,575

As at 31 December 2022 (Audited)

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Pledged deposits, non-current portion	—	3,395,558	—	3,395,558

## 20. EVENTS AFTER THE REPORTING PERIOD

On August 15, 2023, the Company declared a special dividend in the amount of RMB50,000,000, the payment of which was fully settled in the same month by cash using internal resources.

On September 28, 2023, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited involving 18,976,000 Shares issued under the Global Offering at the offer price of HK\$14.00 per ordinary share.

## 21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorized for issue by the board of directors on 28 September 2023.