

祖龙娱乐
ARCHOSAUR GAMES

祖龙娱乐有限公司
Archosaur Games Inc.

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

Stock Code 股份代號 : 9990

2024
中期報告
Interim Report



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Definitions

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

“Amendment Date”	22 December 2022, being the date on which the amendments to the Share Option Scheme was approved by the Shareholders at the extraordinary general meeting of the Company held on Thursday, 22 December 2022
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company” or “Archosaur Games”	Archosaur Games Inc. 祖龙娱乐有限公司, an exempted company incorporated under the laws of the Cayman Islands with limited liability whose Shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 9990)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Cresc Chorus”	Cresc Chorus Limited, a BVI business company incorporated under the laws of the BVI with limited liability and one of the controlling Shareholders of the Company
“Director(s)”	the director(s) of the Company
“Eligible Employee”	any full-time employee (excluding any director) of the Company and any subsidiary
“Eligible Participant(s)”	any Eligible Employee who may be invited by the Board to take up Options
“Exercise Price”	the price per Share at which a Grantee may subscribe for the Shares on the exercise of an Option
“Global Offering”	the initial public offering of the Shares for subscription by the public and the institutional, professional, corporate and other investors
“Grantee”	any Eligible Participant who accepts an Offer in accordance with the terms of the Share Option Scheme or (where the context so permits) his personal representative(s) who is/are entitled to any Option in consequence of the death of the original Grantee

Definitions

“Group”, “we” or “us”	the Company and all of its subsidiaries and companies whose financial results have been consolidated and accounted for as the subsidiaries of our Company by virtue of certain contractual arrangements, or, where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	IFRS Accounting Standards
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date on which the Shares initially commenced their dealings on the Stock Exchange, i.e. 15 July 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“LuckQ”	LuckQ Technology Limited, a BVI business company incorporated under the laws of the BVI with limited liability and one of the controlling Shareholders of the Company
“Macao”	the Macao Special Administrative Region of the PRC
“MMORPG”	a genre of games that combine role-playing games and massively multiplayer online games in which a large number of players interact with one another within a virtual world
“Model Code”	the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix C3 to the Listing Rules
“Offer”	an offer for the grant of an Option
“Option”	an option to subscribe for the Shares granted pursuant to the Share Option Scheme
“Perfect World”	Perfect World Co., Ltd.* (完美世界股份有限公司), a company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002624)

Definitions

“Perfect World Games”	Perfect World Games Co., Ltd.* (完美世界遊戲有限責任公司), a company established under the laws of the PRC with limited liability on 14 November 2008
“Perfect World Holding”	Perfect World Holding Group Co., Ltd.* (完美世界控股集團有限公司), a company established under the laws of the PRC with limited liability on 14 August 2013
“Perfect World Holding Group”	Perfect World Holding and/or its respective affiliate(s)
“Perfect World Interactive”	Perfect World Interactive Entertainment Co., Ltd., an exempted company incorporated under the laws of the Cayman Islands with limited liability and holds 16.60% of the Shares as at 30 June 2024
“PRC”	the People’s Republic of China
“Pre-IPO RSU(s)”	restricted share units granted pursuant to the Pre-IPO RSU Scheme
“Pre-IPO RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by the Board on 1 April 2020
“Prospectus”	the prospectus of the Company dated 30 June 2020
“Reporting Period”	the period for the six months ended 30 June 2024
“RMB”	Renminbi, the lawful currency of the PRC
“RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by the Shareholders on 22 December 2022, in its present form or as may be amended from time to time
“RSU(s)”	restricted share units granted pursuant to the RSU Scheme
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
“Share Option Scheme”	the share option scheme in its present form or as may be amended from time to time which was adopted and amended by the Company on 5 February 2021 and 22 December 2022, respectively
“Share(s)”	ordinary share(s) of US\$0.00001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“SLG”	simulation games, a genre of games that attempt to emulate various activities from real life in the game format

Definitions

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	for the purpose of this interim report, has the meaning ascribed to it in section 15 of the Companies ordinance (Chapter 622 of the Laws of Hong Kong) and includes companies whose financial results have been consolidated and accounted as the subsidiaries of our Company by virtue of certain contractual arrangements
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Tencent”	Tencent Holdings Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700) and/or its subsidiaries, as the case may be and holds 17.24% of our Shares as at 30 June 2024
“treasury shares”	has the meaning ascribed to it in the Listing Rules
“Unreal Engine 4” and “Unreal Engine 5”	game engines developed by Epic Games
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

* For identification purpose only in this interim report

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Li Nachuan (*appointed on 23 August 2024*)
Mr. Lu Xiaoyin
Ms. Liu Ming (*resigned on 23 August 2024*)

Independent Non-executive Directors

Ms. Wang Jing (*appointed on 23 August 2024*)
Mr. Zhu Lin
Mr. Ding Zhiping
Mr. Bai Kun (*resigned on 23 August 2024*)

AUDIT COMMITTEE

Mr. Zhu Lin (*Chairman*)
Ms. Wang Jing (*appointed on 23 August 2024*)
Mr. Ding Zhiping

REMUNERATION COMMITTEE

Ms. Wang Jing (*appointed on 23 August 2024*)
(*Chairperson*)
Mr. Ding Zhiping
Mr. Li Qing

NOMINATION COMMITTEE

Mr. Li Qing (*Chairman*)
Ms. Wang Jing (*appointed on 23 August 2024*)
Mr. Ding Zhiping

RISK MANAGEMENT COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms. Hao Lili
Ms. Zhang Xiao

AUTHORIZED REPRESENTATIVES

Mr. Li Qing
Ms. Zhang Xiao

AUDITOR

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

LEGAL ADVISERS

As to Hong Kong laws
Eric Chow & Co. in Association with
Commerce & Finance Law Offices
3401, Alexandra House
18 Chater Road
Central
Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

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

Corporate Information

HEADQUARTERS

4/F, No. 8 Hangxing Science Park
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Dongcheng District, Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKS

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

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

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

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

COMPANY WEBSITE

www.zulong.com

STOCK CODE

9990

Financial Performance Highlights

	For the six months ended 30 June		
	2024 RMB million (Unaudited)	2023 RMB million (Unaudited)	Change %
Revenue	439.4	402.3	9.2%
Cost of revenue	(117.7)	(104.6)	12.5%
Gross profit	321.7	297.7	8.1%
Research and development expenses	(264.1)	(299.2)	(11.7)%
Selling and marketing expenses	(172.7)	(164.4)	5.0%
Administrative expenses	(47.0)	(51.8)	(9.3)%
Net impairment reversal/(losses) on financial assets	2.6	(0.6)	(533.3)%
Other income	1.7	3.4	(50.0)%
Other gains/(losses), net	3.8	(27.0)	(114.1)%
Operating loss	(154.0)	(241.9)	(36.3)%
Finance income	26.0	23.4	11.1%
Finance costs	(1.4)	(2.6)	(46.2)%
Finance income, net	24.6	20.8	18.3%
Share of results of investments accounted for using the equity method	(3.5)	(12.5)	(72.0)%
Loss before income tax	(132.9)	(233.6)	(43.1)%
Income tax (expense)/credit	(1.1)	0.6	(283.3)%
Loss for the period	(134.0)	(233.0)	(42.5)%
Non-IFRS measure:			
Adjusted net loss ⁽¹⁾	(120.4)	(214.9)	(44.0)%

Note:

(1) We define adjusted net loss as loss for the period adjusted by adding back share-based compensation expenses. We eliminate the impacts of the items that our management does not consider it to be indicative of our operating performance as it is non-cash in nature.

Management Discussion and Analysis

BUSINESS REVIEW

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

We are the pioneer in China's mobile game industry focusing on developing high-quality mobile MMORPGs, SLGs, female-oriented, strategy card games and other genres, and our strength in developing high-quality mobile games has been proven over and over again. We continue to provide high-quality game content to players and have won excellent market reputation.

In terms of genre exploration and high quality, we use our advantageous MMORPG genre as an anchor point, and gradually expand the "MMORPG+" sub-genre, making full use of our R&D technological advantages accumulated over the years and in-depth understanding of the game engine to break through the original technological ceiling of the genre and enhance the efficiency of resource utilization, so as to produce high-quality games in the sub-genre and maximize cost-effectiveness at the same time. Life Makeover (以閃亮之名) is the best example of the breakthroughs we have made in recent years in sub-track.

In terms of integrating R&D and operation and globalization strategy, we have strengthened our investment in long-term operation and constantly launched new events and new gameplay as planned, which has resulted in high user stickiness and a highly interactive player community. In addition, by offering high-quality products to different countries and regions, conducting in-depth analyses of the players and users in various markets, and determining the promotional strategy and publishing mode by combining the local cultural characteristics with the characteristics of the products, we continue to contribute stable revenue to the Group.

In terms of technological innovation, as a developer which is a pioneer in researching and making use of Unreal Engine in developing mobile games within the industry, we focus on mobile games, actively expand to PC platforms, Steam and other multi-platform, multi-channel versions and are committed to letting a wider range of players to experience high-quality and refined products. At the same time, we have made special breakthroughs in the areas of mobile full-dynamic light shadowing (移動端全動態光源陰影) and self-developed Global Illumination (全局光照), making the game further upgraded in terms of performance and visual effects.

In the first half of 2024, we devoted ourselves to gameplay design and game innovation, so as to organically combine innovation and fun and returned to the essence and original intention of game development. In the second half of 2024, on the basis that our published projects continue to steadily contribute considerable long-term revenues, we launched Dragon Raja: Cassell Gate (龍族:卡塞爾之門) on 12 September and will soon launch another blockbuster product, Immortal Skywalker (踏風行). We expect these two products to enrich the product matrix and bring Archosaur Games more opportunities for development.

Management Discussion and Analysis

OUR EXISTING GAMES

As at the date of this interim report, we had launched 22 high-quality mobile games covering MMORPGs, SLGs, female-oriented, strategy card and other genres, with multiple regional versions in 14 languages available in more than 170 regional markets. The high-quality and diversified game portfolio that we offered had excellent market reputation.

Life Makeover (以閃亮之名) is an ultra-free fashionable female-oriented game which was developed by new generation of female production and planning team of the Company. Since its first launch in Chinese mainland on 24 March 2023, it has entered top 10 of the Bestsellers Games Chart for iOS for more than ten times. The game launched a series of celebrations on the anniversary of its launch in Chinese mainland: Life Makeover (以閃亮之名) was promoted synchronously on iconic displays in five locations around the world such as Shanghai, New York and Melbourne on 24 March 2024, and topped the hot search on Weibo on the same day; the game's anniversary version, "Fox Reverie" (夢狐繪卷), went online on 3 April, while the gross billings of the same day exceeded RMB20 million, and reached the top 10 of the Bestsellers Games Chart of the iOS App Store in Chinese mainland. The "Mermaid's Song" (人魚幻歌) version of the game updated on 7 August was published in all channels in Chinese mainland and launched a series of joint events with China Post, Shanghai Haichang Ocean Park, Desert Post and others. In the ongoing events, the game also incorporated customized content of China's intangible cultural heritage such as Sichuan embroidery (蜀繡), Quanzhou string puppet show, Dehua white porcelain and Peking Opera, etc., which met players' individual needs and showed the unparalleled charm of Chinese traditional arts to the public in different regions. In addition, the game launched a pet system in the first half of the year. With the extreme hair movement of a single pet having up to 30 million hair as well as the unique rendering and dyeing process, it superimposed with human-pet interaction, breeding system, pet wardrobe and other gameplay, which has gained the attention and popularity of a wide range of players. At present, the open great map is being actively promoted, which will add a higher degree of simulation and freedom to the game, so that the game world is full of endless exploration possibilities, and the game will also unlock more new gameplay in the future. The game has established an excellent reputation and attracted a large number of players due to its superb product quality. At the same time, relying on the mature and efficient R&D and operation management to regularly launch and update activities, this sound development model is bound to bring positive and considerable long-term revenue for the Group. As of 30 June 2024, the cumulative number of global players of Life Makeover (以閃亮之名) exceeded 16 million.

Sango Heroes: The Hegemony (三國群英傳: 鴻鵠霸業) is a SLG game based on the IP of Sango Heroes (三國群英傳), which inherits the core strengths of Under the Firmament (鴻圖之下) and enriches the differentiated gameplay. Based on a high degree of IP reproduction, we have fine-tuned the player experience and battle balance to create a more diverse battle strategy and battle experience. Additionally, we have also optimized the game's benefit system to improve users' experience and retention. The game was officially launched on 13 July in Chinese mainland through licensed publishing, and was planned to be launched in China's Hong Kong, Macao and Taiwan regions in the fourth quarter. Due to the long-term operation characteristics of SLG game products and the steady publishing mode of the authorized agent, the data performance of the game is growing steadily.

For a number of classic games under operation such as Dragon Raja (龍族幻想), Under the Firmament (鴻圖之下), Fantasy Zhuxian (夢幻誅仙), World of Kings (萬王之王3D), Love & Sword (御劍情緣) and Loong Craft (六龍爭霸), the Company continued to invest in operation and maintained a healthy long-term ecosystem of the games through events such as anniversary celebrations and version updates, with the performance of each game being relatively stable and continuing to contribute to the Group's revenue.

Management Discussion and Analysis

OUR GAME PIPELINE

To build up a diversified game portfolio across a wide range of genres, seven game products are expected to be launched globally over the period from the second half of 2024 to 2026, covering different genres of games.

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

Title ⁽¹⁾	Genre ⁽¹⁾	IP source ⁽¹⁾	Development stage as at the date of this interim report ⁽¹⁾	Expected launch year ⁽¹⁾	Major markets ⁽¹⁾⁽²⁾
2024					
Dragon Raja: Cassell Gate (龍族:卡塞爾之門) ⁽³⁾	Strategy Card Game	Licensed IP	Game Testing	2024	Worldwide
Immortal Skywalker (踏風行) ⁽⁴⁾	Idle RPG	Original IP	Game Testing	2024	Asia
2025					
Project Code: Odin	MMORPG+	Licensed IP	Game Production	2025	Worldwide
Project F	MMORPG+	–	Game Production	2025	Worldwide
Project G	Numerical Card Game	–	Game Proposal	2025	Worldwide
2026					
Project H	MMORPG	–	Game Proposal	2026	Worldwide
Project I	Card Game	–	Game Proposal	2026	Worldwide

Notes:

- (1) The game pipeline is for indicative purpose only as at the date of this interim report. The title, genre, IP source, development stage, expected launch year, major markets and other information of each game in the pipeline may be subject to further changes according to their respective development and pre-approval status.
- (2) The major markets refer to target publishing markets. The games will be launched successively in different regions according to their respective publishing plans.
- (3) Project E has been officially named Dragon Raja: Cassell Gate (龍族:卡塞爾之門), and the game has been launched in Chinese mainland on September 12 2024.
- (4) Project Code: IM has been officially named Immortal Skywalker (踏風行).

Management Discussion and Analysis

The introduction of several new games in our game pipeline is provided as follows:

Dragon Raja: Cassell Gate (龍族: 卡塞爾之門) is a strategy card game adapted and developed based on the Dragon Raja (龍族) series of novels and animations and powered by Unreal Engine 4. Based on the original settings, the game features detailed character design and character illustration, as well as innovative gameplay to enhance the battle experience, and an integration of competition with casual social gameplay such as PvP (Player-vs-Player), manor and community, as well as character storylines and backstories to enhance players' sense of immersion and playability of the game. The game is planned to be released mainly by the way of self-publishing, and was officially launched in Chinese mainland on September 12, and topped the Top Free Games Chart of the iOS App Store on its first day of launch, continued to dominate the charts for a week and entered top 10 of the Bestsellers Games Chart for several consecutive days.

Immortal Skywalker (踏風行) is a mobile Chinese-style idle RPG game powered by Unreal Engine 4. The game is based on cultivation themes and adopts the gameplay of numerical idle RPG, where players can freely choose between going around and practice and hang-up, as well as experience the cultivation gameplay. The game has two turn-based battle modes of both PvP and GvG (Group-vs-Group), realizing true 3D flight combat, which allows players to gain a better sense of battle strike and strategic interest in the ambience of Chinese-style graphics and Chinese-style sound effects. In addition, the social attribute of the game has been strengthened with the addition of companion flight and co-play. The game is planned to be released mainly by the way of self-publishing, and two paid testings for Chinese mainland were launched in June and August, which received positive feedback from players, and will strive to be officially launched within this year.

Project Code: Odin is a MMORPG+ game adapted from the Dragon Raja (龍族) series of novels and powered by Unreal Engine 5. It is our sincere work of using innovative technology to develop the classic IP in depth. The game is currently under development, and we hope to present the spiritual core of the game in our advantageous MMORPG track, revive the story of the Dragon Raja, and present the ultimate aesthetic effect and gameplay experience to players around the world.

Project F is an open-world pet building game running on both mobile and PC platforms and powered by Unreal Engine 4.

During the Reporting Period, we recorded revenue of RMB439.4 million, representing an increase of 9.2% as compared with RMB402.3 million for the same period in 2023, which was primarily attributable to the excellent reputation and larger number of players of Life Makeover (以閃亮之名) due to its superb product quality. In the future, with the expansion of our product genres from MMORPGs, SLGs and female-oriented to strategy cards, idle RPG and other more diversified games, and with a variety of styles and the continuous improvement of our organic model of integrating R&D and operation, the lifecycle of our games is expected to be further extended, which will make a more stable and sustainable contribution to the Group's revenue.

Management Discussion and Analysis

FINANCIAL REVIEW REVENUE

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

	For the six months ended 30 June			
	2024		2023	
	RMB million	% of total	RMB million	% of total
	(Unaudited)	revenue	(Unaudited)	revenue
Development and licensing	62.0	14.1%	100.8	25.1%
– Revenue share	57.5	13.1%	85.1	21.2%
– Non-refundable fixed licensing fees	4.5	1.0%	15.7	3.9%
Integrated game publishing and operation	376.5	85.7%	301.2	74.9%
Others	0.9	0.2%	0.3	0.0%
Total	439.4	100.0%	402.3	100.0%

For the six months ended 30 June 2024, our revenue from development and licensing was RMB62.0 million, representing a decrease of 38.5% from RMB100.8 million for the corresponding period in 2023, and our revenue from integrated game publishing and operation was RMB376.5 million, representing an increase of 25.0% from RMB301.2 million for the corresponding period in 2023.

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

	For the six months ended 30 June			
	2024		2023	
	RMB million	% of total	RMB million	% of total
	(Unaudited)	revenue	(Unaudited)	revenue
Chinese mainland	304.0	69.2%	238.3	59.2%
Areas outside Chinese mainland	135.4	30.8%	164.0	40.8%
Total	439.4	100.0%	402.3	100.0%

For the six months ended 30 June 2024, our revenue generated from market in Chinese mainland was RMB304.0 million, representing an increase of 27.6%, from RMB238.3 million for the corresponding period in 2023, and our revenue generated from areas outside Chinese mainland was RMB135.4 million, representing a decrease of 17.4%, from RMB164.0 million for the corresponding period in 2023.

The increase in the revenue was mainly attributable to (i) the revenue of Life Makeover (以閃亮之名) maintained stable performance since it launched in diverse regions, and (ii) the unamortised revenue from sales of in-game virtual items recognized during Reporting Period was increased. The increase was offset by the decreased revenue of certain games which reached their recession stage of game lifecycles.

Management Discussion and Analysis

COST OF REVENUE

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

	For the six months ended 30 June			
	2024		2023	
	RMB million (Unaudited)	% of cost of revenue	RMB million (Unaudited)	% of cost of revenue
Commissions charged by distribution channels and payment channels	86.4	73.4%	76.1	72.8%
Bandwidth and servers custody fee	11.8	10.0%	10.3	9.8%
Revenue share to the IP holders	9.6	8.2%	8.2	7.8%
Employee benefit expenses	6.2	5.3%	6.4	6.1%
Depreciation and amortization charges	1.2	1.0%	1.1	1.1%
Others	2.5	2.1%	2.5	2.4%
Total	117.7	100.0%	104.6	100.0%

Our cost of revenue primarily consisted of (i) commissions charged by distribution channels and payment channels, (ii) bandwidth and servers custody fee and (iii) revenue share to the IP holders. Our cost of revenue increased to RMB117.7 million for the six months ended 30 June 2024 as compared with RMB104.6 million for the corresponding period in 2023, which was mainly attributable to the increase in commissions charged by distribution channels and payment channels in relation to the integrated game publishing and operation business.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the six months ended 30 June 2024, the gross profit of the Group increased by 8.1% to RMB321.7 million as compared with RMB297.7 million for the corresponding period in 2023, which was primarily attributable to the increase in our total revenue. The gross profit margin of the Group decreased to 73.2% for the six months ended 30 June 2024 from 74.0% for the corresponding period in 2023, which was basically the same with the comparable periods.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses primarily consisted of (i) employee benefit expenses; (ii) outsourced technical services; and (iii) depreciation and amortization charges. For the six months ended 30 June 2024, our research and development expenses decreased by 11.7% to RMB264.1 million as compared with RMB299.2 million for the corresponding period in 2023, mainly attributable to cost control in employee benefit expenses and outsourced technical services.

Management Discussion and Analysis

SELLING AND MARKETING EXPENSES

Our selling and marketing expenses primarily consisted of (i) promotion and advertising expenses; and (ii) employee benefit expenses. For the six months ended 30 June 2024, our selling and marketing expenses increased by 5.0% to RMB172.7 million as compared with RMB164.4 million for the corresponding period in 2023, mainly attributable to the increase in promotion and advertising expenses of which games we self-published.

ADMINISTRATIVE EXPENSES

Our administrative expenses primarily consisted of (i) employee benefit expenses; (ii) depreciation and amortization charges; and (iii) other professional consulting fees. For the six months ended 30 June 2024, our administrative expenses decreased by 9.3% to RMB47.0 million as compared with RMB51.8 million for the corresponding period in 2023, mainly attributable to savings in each administrative expenses and the slight decrease in depreciation and amortization charges.

OTHER INCOME

For the six months ended 30 June 2024, our other income decreased by 50.0% to RMB1.7 million as compared with RMB3.4 million for the corresponding period in 2023, due to the decrease in government grants.

OTHER GAINS/(LOSSES), NET

Our net other gains/(losses) primarily consisted of (i) gains/(losses) on financial assets at fair value through profit or loss and (ii) net foreign exchange losses. For the six months ended 30 June 2024, our net other gains of the Group amounted to RMB3.8 million as compared with net other losses of RMB27.0 million for the corresponding period in 2023, mainly attributable to (i) the gains on financial assets at fair value through profit or loss and (ii) less losses on foreign exchange.

FINANCE INCOME, NET

Finance income represented interest income from bank deposits, including bank balance and term deposits. Finance costs primarily consisted of interest expenses accrued from our lease liabilities. For the six months ended 30 June 2024, our net finance income increased by 18.3% to RMB24.6 million as compared with RMB20.8 million for the corresponding period in 2023, mainly attributable to an increase in interest income arising from the balance of US\$ term deposits and bank balance.

INCOME TAX (EXPENSE)/CREDIT

Our income tax (expense)/credit consisted of current income tax expense and deferred income tax, and we incurred total income tax expense of RMB1.1 million for the six months ended 30 June 2024, compared with income tax credit of RMB0.6 million for the corresponding period in 2023, mainly attributable to (i) the reversal of the deferred income tax assets related to unrealized investment net losses in the Reporting Period and (ii) the increase in current income tax expense.

Management Discussion and Analysis

ADJUSTED NET LOSS

The adjusted net loss for the six months ended 30 June 2024 amounted to RMB120.4 million as compared with adjusted net loss of RMB214.9 million for the corresponding period in 2023. Such decrease in loss was primarily attributable to (i) the increase in our total revenue, (ii) cost control in research and development which resulted in reduction of related expenses and (iii) the gains on financial assets at fair value through profit or loss.

The Company believes that adjusted net loss for the six months ended 30 June 2024, as compared with loss for the six months ended 30 June 2024 as reported under the IFRS, can better reflect the underlying operating performance of the Group as well as facilitate period to period comparison. The use of these non-IFRS measures has limitations as an analytical tool, and one should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

The following table sets forth the reconciliations of the Group's non-IFRS financial measures for the six months ended 30 June 2024 and 2023 to the nearest measures prepared in accordance with IFRS:

	For the six months ended 30 June	
	2024	2023
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Reconciliation of loss for the period to adjusted net loss for the period:		
Loss for the period	(134.0)	(233.0)
Add back:		
Share-based compensation expenses	<u>13.6</u>	<u>18.1</u>
Adjusted net loss for the period	<u>(120.4)</u>	<u>(214.9)</u>

LIQUIDITY AND FINANCIAL RESOURCES

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

Management Discussion and Analysis

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

	For the six months ended 30 June		
	2024	2023	Change %
	RMB million (Unaudited)	RMB million (Unaudited)	
Net cash used in operating activities	(68.3)	(160.6)	(57.5)%
Net cash generated from/(used in) investing activities	112.7	(336.5)	(133.5)%
Net cash used in financing activities	(43.5)	(22.4)	94.2%
Net increase/(decrease) in cash and cash equivalents	0.9	(519.5)	(100.2)%
Cash and cash equivalents at the beginning of the period	555.0	1,233.0	(55.0)%
Exchange gains on cash and cash equivalents	2.6	15.4	(83.1)%
Cash and cash equivalents at the end of the period	558.5	728.9	(23.4)%

Operating Activities

For the six months ended 30 June 2024, net cash used in operating activities was RMB68.3 million, compared with RMB160.6 million used in operating activities for the corresponding period in 2023, representing a decrease of 57.5%. The decrease was mainly attributable to (i) an increase in cash inflow generated from our game business and (ii) the decrease in cash outflow used in our employee benefit expenses during the Reporting Period.

Investing Activities

For the six months ended 30 June 2024, net cash generated from investing activities was RMB112.7 million, compared with RMB336.5 million used in investing activities for the corresponding period in 2023, mainly attributable to during the Reporting Period, (i) the financial assets at fair value through profit or loss purchased in previous period matured and were withdrawn and (ii) less cash outflow used in purchases of term deposits.

Financing Activities

For the six months ended 30 June 2024, net cash used in financing activities was RMB43.5 million, compared with RMB22.4 million used in financing activities for the corresponding period in 2023, representing an increase of 94.2%. The increase was mainly attributable to the payment for shares repurchase advance to stockbrokers during the Reporting Period.

Management Discussion and Analysis

GEARING RATIO

As at 30 June 2024, our gearing ratio, which is calculated as total liabilities divided by total assets, was 16.3%, as compared with 14.9% as at 31 December 2023.

CAPITAL EXPENDITURE

Our capital expenditure comprised expenditures on purchase of intangible assets and purchase of property, plant and equipment. For the six months ended 30 June 2024 and 2023, total capital expenditure amounted to RMB16.0 million and RMB2.3 million respectively, representing an increase of 595.7%. The increase was mainly attributable to payment for trade payable of intangible assets purchases in prior period.

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

As at 30 June 2024, there was no significant investment held by the Group or future plans for significant investments or capital assets, and none of each individual investment held by the Group constituted 5% or above of the total assets of the Group as at 30 June 2024.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the six months ended 30 June 2024, there was no material acquisitions or disposal of subsidiaries, associates and joint ventures.

CHARGE ON ASSETS

As at 30 June 2024, no property, plant and equipment was pledged.

CONTINGENT LIABILITIES

As at 30 June 2024, we did not have any unrecorded significant contingent liabilities against us.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, we employed approximately 1,017 full-time staff in total, approximately 77.58% of whom are research and development personnel. Substantially all of our employees are based in China, primarily at our headquarters in Beijing, with the remainder in Chengdu, Changchun, Shanghai and Hainan. For the six months ended 30 June 2024, cost of employees' remuneration and benefit was approximately RMB274.6 million as compared with RMB303.2 million for the six months ended 30 June 2023.

We are committed to establishing a competitive and fair remuneration and benefits environment for our employees. To effectively motivate our business development team through remuneration incentives and ensure that our employees receive competitive remuneration packages, we continually refine our remuneration and incentive policies through market research and comparisons with our competitors. We conduct monthly performance evaluations to provide employee performance feedback, and report conduct quarterly selections to affirm and encourage outstanding employees. Remuneration for our employees typically consists of a base salary and performance-based and year-end bonuses. To incentivize our Directors, senior management and employees of the Group for their contribution to our Group, the Company adopted the Pre-IPO RSU Scheme on 1 April 2020 and the RSU Scheme on 22 December 2022, and adopted and amended the Share Option Scheme on 5 February 2021 and 22 December 2022, respectively. For details, please refer to "RSU Schemes" and "Share Option Scheme" under the section "OTHER INFORMATION" in this interim report.

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

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

FOREIGN CURRENCY EXCHANGE RISKS

For the six months ended 30 June 2024, most of transactions of the Group and our cash and cash equivalents were denominated in RMB, US\$ and HK\$. The management team closely monitors foreign currency exchange risks to ensure that appropriate measures are implemented in a timely and effective manner. For the six months ended 30 June 2024, the Group has not incurred any significant foreign currency exchange losses in its operations. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

Management Discussion and Analysis

USE OF NET PROCEEDS FROM GLOBAL OFFERING

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

The below table sets forth the proposed and actual applications of the net proceeds from the Listing Date to 30 June 2024:

Use of net proceeds	Percentage	Net proceeds	The amount	As at 30 June 2024		Expected timeline for utilizing the remaining net Proceeds ⁽¹⁾
		from the Global Offering (HK\$ million)	utilized during the Reporting Period (HK\$ million)	Utilized amount (HK\$ million)	Unutilized amount (HK\$ million)	
Enhancing the development capabilities and technology and expanding our game portfolio	40%	943.5	-	943.5	-	-
Expanding game publishing and operation business, particularly in markets outside Chinese mainland	20%	471.7	-	471.7	-	-
Funding strategic acquisition of and investment in upstream and downstream businesses along the industry value chain and investment in investment funds focusing on pan-entertainment or technology, media, and telecom	20%	471.7	20.5	214.7	257.0	2024.07-2025.07
Expanding the IP reserve and enriching our content offerings	10%	235.8	17.8	232.1	3.7	2024.07-2025.07
Working capital and general corporate uses	10%	235.8	-	235.8	-	-
Total	100%	2,358.5	38.3	2,097.8	260.7	

Note:

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

Management Discussion and Analysis

Since the Listing Date and up to 30 June 2024, approximately HK\$2,097.8 million out of net proceeds from the Global Offering had been used.

As disclosed in the 2023 annual report of the Company, the previous expected timeline of utilizing the remaining net proceeds in respect of (i) funding strategic acquisition of and investment in upstream and downstream businesses along the industry value chain and investment in investment funds focusing on pan-entertainment or technology, media, and telecom; and (ii) expanding the IP reserve and enriching the Group's content offerings was July 2024. The further delay in the use of such net proceeds was mainly attributable to:

- (i) additional time required for and the more cautious approach taken by the Group to look for suitable acquisition and investment targets due to the unstable and uncertain external factors; and
- (ii) in view of the business environment being affected by the rapid changes in technology and market trends in the past few years, additional time is needed for the Group to identify and conduct business discussions for suitable IPs.

Apart from the above-mentioned adjustments, as at the date of this interim report, there was no change in the intended use of net proceeds and the expected timeline as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

To the extent that net proceeds are not immediately used for the intended use, the Company currently intends to place such proceeds in short-term interest bearing instruments, such as liquid fixed income securities, short-term bank deposits, short-term and low risk wealth management products or money market instruments with licensed commercial banks or other authorized financial institutions so long as it is deemed to be in the best interests of the Company.

EVENTS AFTER REPORTING PERIOD

Save as disclosed in this interim report, the Group did not have any significant events after the Reporting Period.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2024, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director or chief executive	Nature of interest	Number of Shares interested ⁽¹⁾	Approximate percentage of the Company's issued share capital ⁽²⁾
Mr. Li Qing ⁽³⁾	Interest in controlled corporation	282,266,802	35.35%
Mr. Bai Wei ⁽⁴⁾	Interest in controlled corporation	15,447,304	1.93%

Notes:

- (1) All interest stated are long positions.
- (2) The calculation is based on the total number of 798,574,630 Shares in issue as at 30 June 2024.
- (3) 278,329,802 Shares were held through Cresc Chorus, a company owned as to 81.96% by LuckQ, which in turn is wholly-owned by Mr. Li Qing and 3,937,000 Shares were held through Pondweed Holdings Limited, a company wholly-owned by Mr. Li Qing. Accordingly, Mr. Li Qing was deemed to be interested in such Shares held by Cresc Chorus and Pondweed Holdings Limited for the purpose of part XV of the SFO.
- (4) These Shares were held by Wade Data Services Limited ("Wade Data") which was wholly-owned by Mr. Bai Wei. Accordingly, Mr. Bai Wei was deemed to be interested in such Shares held by Wade Data for the purpose of Part XV of the SFO.

Save as disclosed above, as of 30 June 2024, none of the Directors or the chief executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

So far as our Directors are aware, as at 30 June 2024, the following persons have interests or short positions in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be maintained by the Company under Section 336 of the SFO:

Name	Nature of interest	Number of Shares interested ⁽¹⁾	Approximate percentage of the Company's issued share capital ⁽²⁾
Mr. Li Qing ⁽³⁾	Interest in controlled corporation	282,266,802	35.35%
Cresc Chorus ⁽³⁾	Beneficial owner	278,329,802	34.85%
LuckQ ⁽³⁾	Interest in controlled corporation	278,329,802	34.85%
Perfect World Interactive ⁽⁴⁾	Beneficial owner	132,593,999	16.60%
Perfect Game Speed Company Limited ⁽⁴⁾	Interest in controlled corporation	132,593,999	16.60%
Perfect Freedom Company Limited ⁽⁴⁾	Interest in controlled corporation	132,593,999	16.60%
Beijing Perfect World Software Technology Development Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	132,593,999	16.60%
Perfect World Games ⁽⁴⁾	Interest in controlled corporation	132,593,999	16.60%
Perfect World ⁽⁴⁾	Interest in controlled corporation	132,593,999	16.60%
Mr. Chi Yufeng (池宇峰) ⁽⁴⁾	Interest in controlled corporation	132,593,999	16.60%
Image Frame ⁽⁵⁾	Beneficial owner	105,077,999	13.16%
Tencent ⁽⁵⁾	Interest in controlled corporation	137,698,399	17.24%

Notes:

- (1) All interests stated are long positions.
- (2) The percentages represented the number of Shares over the total issued share capital of the Company as at 30 June 2024 of 798,574,630 Shares.
- (3) Based on the latest disclosure of interest form filed by each of Cresc Chorus, LuckQ and Mr. Li Qing, Cresc Chorus was owned as to 81.96% by LuckQ, which was in turn wholly owned by Mr. Li Qing. Accordingly, each of LuckQ and Mr. Li Qing was deemed to be interested in all the Shares held by Cresc Chorus by virtue of the SFO.
- (4) Based on the confirmation by Perfect World Holding Group as at 30 June 2024, Perfect World Interactive was wholly owned by Perfect Game Speed Company Limited, which was in turn wholly owned by Perfect Freedom Company Limited. Perfect Freedom Company Limited was wholly owned by Beijing Perfect World Software Technology Development Co., Ltd., which was in turn wholly owned by Perfect World Games. Perfect World Games was wholly owned by Perfect World, which was in turn owned as to 32.36% by Mr. Chi Yufeng. Accordingly, each of Perfect Game Speed Company Limited, Perfect Freedom Company Limited, Beijing Perfect World Software Technology Development Co., Ltd., Perfect World Games, Perfect World and Mr. Chi Yufeng was deemed to be interested in all the Shares held by Perfect World Interactive by virtue of the SFO.
- (5) Based on the latest disclosure of interest form filed by Tencent as at 30 June 2024, 105,077,999 Shares were held through Image Frame Investment (HK) Limited ("Image Frame"), a company wholly-owned by Tencent and 32,620,400 Shares were held through Image Flag Investment (HK) Limited ("Image Flag"), a company wholly-owned by Tencent. Accordingly, Tencent was deemed to be interested in all the Shares held by Image Frame and Image Flag by virtue of the SFO.

Other Information

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

RSU SCHEMES

The Company adopted the Pre-IPO RSU Scheme and the RSU Scheme on 1 April 2020 and on 22 December 2022, respectively. Details of the Pre-IPO RSU Scheme are set out in the Prospectus and details of the RSU Scheme are set out in the circular of the Company dated 22 November 2022.

Pre-IPO RSU Scheme

Details of movements of the Pre-IPO RSUs granted under the Pre-IPO RSU Scheme during the six months ended 30 June 2024 are set out below:

Participants	Date of grant	Vesting period	Exercise price per Share (HK\$)	Exercise cancelled Pre-IPO RSUs (HK\$)	Number of outstanding Pre-IPO RSUs at 1 January 2024	Number of Pre-IPO RSUs granted during the Reporting Period	Number of Pre-IPO RSUs vested during the Reporting Period	Number of Pre-IPO RSUs exercised during the Reporting Period	Weighted average closing price	Number of Pre-IPO RSUs cancelled during the Reporting Period	Number of Pre-IPO RSUs lapsed during the Reporting Period	Number of Pre-IPO RSUs outstanding at 30 June 2024
									immediately before the dates of vesting during the Reporting Period (HK\$)			
Employee	1 April 2020 – 30 August 2022 ⁽¹⁾	3 years ⁽²⁾	-	/	747,480	-	394,380	356,131	1.23	-	-	353,100

Notes:

- (1) The dates of grant are 1 April 2020, 24 June 2020, 1 February 2021, 29 March 2021, 25 August 2021, 25 March 2022 and 30 August 2022.
- (2) The Pre-IPO RSUs are exercisable in installments from the commencement of the relevant vesting period until ten years after the grant date. For the Pre-IPO RSUs granted prior to the Listing Date, 40% of the Pre-IPO RSUs can be exercised 1 year after the Listing Date, 30% of the Pre-IPO RSUs can be exercised 2 year after the Listing Date and the remaining 30% of the Pre-IPO RSUs will become exercisable 3 years after the Listing Date. Save as disclosed above and subject to the terms of the Pre-IPO RSU Scheme and conditions stated in the letter containing the offer, 40% of the Pre-IPO RSUs can be exercised 1 year after the grant date, 30% of the Pre-IPO RSUs will become exercisable 2 years after the grant date and the remaining 30% of the Pre-IPO RSUs will become exercisable 3 years after the grant date.

Other Information

RSU Scheme

Details of movements of the RSUs granted under the RSU Scheme during the six months ended 30 June 2024 are set out below:

Participants	Date of grant	Vesting period	Conversion price per Share (HK\$)	Conversion of the cancelled RSUs (HK\$)	Number of outstanding RSUs at 1 January 2024	Number of RSUs granted during the Reporting Period	Number of RSUs vested during the Reporting Period	Number of RSUs converted during the Reporting Period	Weighted average closing price	Number of RSUs cancelled during the Reporting Period	Number of RSUs lapsed during the Reporting Period	Number of outstanding RSUs at 30 June 2024
									immediately before the dates of vesting during the Reporting Period (HK\$)			
Employee	6 April 2023, 29 August 2023 ⁽¹⁾	3 years ⁽²⁾	-	/	8,955,000	-	3,468,000	463,550	1.36	-	170,000	5,317,000

Notes:

- (1) For details of fair value of the RSUs at the date of grant and the accounting standard and policies adopted, please refer to Note 24(b) to the consolidated financial statements on pages 67 to 68 of this interim report.

The fair value in respect of the RSUs granted by the Company on 6 April 2023 and 29 August 2023 at the date of grant was HK\$5.48 and HK\$3.45, respectively.

- (2) The RSUs are exercisable in installments from the commencement of the relevant vesting period until ten years after the grant date. Vesting in tranches within 3 years from the date of grant; each 12-month period is an evaluation period commencing from the date on which the RSUs are granted to the grantee, which is a total of three evaluation periods. The grantee will receive 40% of the RSUs granted to him/her upon the expiry of the first evaluation period; 30% of the RSUs granted to him/her upon the expiry of the second evaluation period; the remaining 30% of the RSUs granted to him/her upon the expiry of the third evaluation period.

SHARE OPTION SCHEME

The Company adopted and amended the Share Option Scheme on 5 February 2021 and on 22 December 2022. Details of the Share Option Scheme are set out in the circular of the Company dated 19 January 2021 and 22 November 2022.

Other Information

Details of the movement of Options granted under the Share Option Scheme during the six months ended 30 June 2024 are set out below:

Participants	Date of grant	Vesting period	Exercise Price per Share (HK\$)	Exercise Price per Share of the cancelled Options (HK\$)	Number of outstanding Options at 1 January 2024	Number of Options granted during the Reporting Period	Number of Options exercised during the Reporting Period	Weighted average closing price immediately	Number of Options cancelled during the Reporting Period	Number of Options lapsed during the Reporting Period	Number of outstanding Options at 30 June 2024
								before the dates of exercising during the Reporting Period (HK\$)			
Employee	7 January 2022	From 7 January 2022 to 14 April 2024 ⁽²⁾	8.720	/	4,545,783	-	-	-	-	345,300	4,200,483

Notes:

- (1) For details of fair value of the Options at the date of grant and the accounting standard and policies adopted, please refer to Note 24(a) to the consolidated financial statements on pages 66 to 67 of this interim report.
- (2) The Options are exercisable in installments from the commencement of the relevant vesting period until 7 January 2032. Subject to the terms of the Share Option Scheme and conditions stated in the letter containing the Offer, 40% of Options can be exercised after 14 April 2022, 30% of the Options can be exercisable after 14 April 2023 and the remaining 30% of the Options will become exercisable after 14 April 2024.

The number of Options, Pre-IPO RSUs and RSUs available for grant under all the foregoing scheme mandate was 52,474,678 as at 1 January 2024 and 52,989,978 as at 30 June 2024. No Options, Pre-IPO RSUs or RSUs were granted during the six months ended 30 June 2024. The number of Shares that may be issued in respect of Options and RSUs granted under all schemes of the Company during the six months ended 30 June 2024 divided by the weighted average number of Shares in issue for the six months ended 30 June 2024 is nil.

Other Information

MOVEMENTS IN SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in Note 22 to the consolidated financial statements on page 64 to this interim report.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2024, the Board considered the repurchases of Shares could enhance the net value of the Group and improve the return on equity and will benefit the Company and the Shareholders as a whole, thus the Company repurchased a total of 4,371,000 Shares on the Stock Exchange at a total consideration of HK\$5,534,660. All the aforementioned repurchased Shares had been cancelled as at 30 June 2024.

Details of the aforementioned repurchases are set out as follows:

Month of repurchase	Total number of Shares repurchased	Highest price paid per Share (HK\$)	Lowest price paid per Share (HK\$)	Total purchase price paid (HK\$)
January 2024	2,961,000	1.36	1.15	3,686,790
February 2024	<u>1,410,000</u>	1.48	1.23	<u>1,847,870</u>
Total	<u>4,371,000</u>			<u>5,534,660</u>

Save as disclosed above, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the Reporting Period. As at 30 June 2024, the Company did not hold any treasury shares.

Other Information

INTERIM DIVIDEND

The Board has resolved not to declare payment of any interim dividend for the six months ended 30 June 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules. During the six months ended 30 June 2024, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code save for the deviation from code provision C.2.1 of the Corporate Governance Code.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code during the six months ended 30 June 2024.

Other Information

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and the knowledge of the Directors, the Company maintained sufficient public float during the six months ended 30 June 2024.

INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

As at the date of this interim report, biographical details of the Directors and chief executive are set out below.

EXECUTIVE DIRECTORS

Mr. Li Qing (李青), aged 50, is an executive Director, the chairman of the Board and the chief executive officer of our Company. He is responsible for the overall management, decision-making and strategy planning of our Group.

Mr. Li is our founder and has approximately 27 years' experience in game development. Prior to founding our Group, Mr. Li served as a chief design officer of e-Pie Entertainment & Technology Corporation (Beijing) (北京歡樂億派科技有限公司) from August 2000 to March 2004, during which he was responsible for game development. Until September 2014, he served as a chief development officer in the Perfect World Group, during which he was responsible for game development. Mr. Li founded our Group in September 2014. He currently also holds directorships in several subsidiaries within our Group.

Mr. Li obtained a bachelor's degree in physics and a master's degree in nuclear energy science and engineering from Tsinghua University (清華大學) in Beijing in July 1997 and June 2000, respectively. In addition, Mr. Li also obtained an executive master of business administration from Cheung Kong Graduate School of Business (長江商學院) in Beijing in May 2010.

Mr. Bai Wei (白瑋), aged 47, is an executive Director and the general manager of program center (程序中心) of our Company. He is primarily responsible for assisting in the overall management, strategic planning and decision-making of products research and development of our Group.

Mr. Bai has over 21 years of experience in the information technology and game industry. From April 2004 to January 2015, Mr. Bai was a senior management member in the Perfect World Group. Mr. Bai joined our Group in January 2015. Since March 2018, he has been a director of Tianjin Loong, one of the subsidiaries within our Group.

Mr. Bai obtained a bachelor's degree and a master's degree in electrical engineering from Tsinghua University (清華大學) in Beijing in September 1999 and January 2002, respectively.

Other Information

NON-EXECUTIVE DIRECTORS

Mr. Li Nachuan (李納川), aged 40, is a non-executive Director of the Company. Mr. Li is primarily responsible for supervising the management of the Group.

Mr. Li has extensive experience in the game industry, as well as relevant experience in the accounting and finance industry. From September 2008 to December 2010, he served as a senior manager at KPMG in Chicago, the United States. From February 2011 to November 2012, he worked as an analyst and vice president at China Merchants Securities (HK) Co., Limited. Since January 2013, he has been working in Tencent group (Tencent Holdings Limited, a company listed on the Stock Exchange (stock code: 700), and its subsidiaries), currently serving as deputy general manager of the business development department of Tencent Interactive Entertainment Group (騰訊互動娛樂事業群商務部). Since August 2021, he has been serving as a director of Zhejiang Century Huatong Group Co., Ltd. (浙江世紀華通集團股份有限公司), a company incorporated in China and listed on the Shenzhen Stock Exchange (stock code: 002602).

Mr. Li obtained a bachelor's degree in Economics from Beijing Institute of Technology (北京理工大學) in June 2006 and a master's degree in Finance and a master's degree in Accounting from the University of Illinois at Urbana-Champaign in the United States in May 2007 and December 2007, respectively. Mr. Li obtained the qualification as a Chartered Financial Analyst (CFA) Level III and in November 2008 obtained his Certified Public Accountant qualification in the State of Illinois, the United States.

Mr. Lu Xiaoyin (魯曉寅), aged 45, is a non-executive Director of our Company. He is primarily responsible for supervising the management of our Group.

Mr. Lu has extensive experience in the game industry. From 2001 to 2004, he served as the artistic director in e-Pie Entertainment & Technology Corporation (Beijing) (北京歡樂億派科技有限公司). He has successively been working at Perfect World Co., Ltd. (完美世界股份有限公司, a company established in the PRC of which its shares are listed on the Shenzhen Stock Exchange (stock code: 002624)) and its respective affiliate(s) as well as its subsidiary(ies) since April 2004, and currently serves as the director and the chief art officer in Perfect World Co., Ltd. (完美世界股份有限公司).

Mr. Lu obtained his bachelor's degree of Art Education from Zhejiang Normal University (浙江師範大學) in Zhejiang in July 2001. He obtained the master's degree in Business Administration for Senior Management Personnel from the Cheung Kong Graduate School of Business (長江商學院) in Beijing in September 2010.

Other Information

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wang Jing (王靜), aged 49, is an independent non-executive Director of the Company. Ms. Wang is primarily responsible for supervising the Board and providing independent judgement.

Ms. Wang has extensive experience in the accounting industry, as well as relevant experience in the insurance industry. From August 1997 to June 2007, she served as an audit manager at PricewaterhouseCoopers in China. From July 2007 to June 2015, she was an audit partner of Ernst & Young Hua Ming LLP in China, where she was primarily responsible for managing and leading the audit team. Since August 2016, she has been serving as the chief financial officer of Qingsong Health Corporation and its subsidiary, Guangdong Easy Insurance Brokerage Co., Ltd. (廣東輕鬆保保險經紀有限公司), where she is primarily responsible for the company's financial strategic planning and financial management.

Ms. Wang obtained a bachelor's degree in overseas financial accounting (會計系外國財務會計專門化) from the Central University of Finance and Economics (中央財經大學) in Beijing in July 1997. She obtained the Certificate for Passing All the Required Subjects of the National Uniform CPA Examination (註冊會計師全國統一考試全科合格證) issued by the Ministry of Finance of the PRC in May 2000 and became a non-practicing member of the Chinese Institute of Certified Public Accountants in April 2017.

Mr. Zhu Lin (朱霖) (formerly known as Zhu Xiaolin (朱小林)), aged 51, is an independent non-executive Director. He is primarily responsible for supervising the Board and providing independent judgement.

Mr. Zhu has extensive experience in accounting and financial consulting. From October 2003, he served as a senior manager at the mergers and acquisitions department of PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. (Beijing Branch) (普華永道諮詢(深圳)有限公司北京分公司). Since October 2005, Mr. Zhu has been serving as a partner of Beijing Legendhouse CPAs (北京潤衡會計師事務所) and since March 2006, Mr. Zhu has been serving as a director of Beijing Legendhouse Consulting (北京潤勤諮詢有限公司).

Since October 2020, Mr. Zhu has been serving as a director of Jiangsu Changshu Automotive Trim Group Co., Ltd. (江蘇常熟汽飾集團股份有限公司), formerly known as Changshu Automotive Trim Co., Ltd. (常熟市汽車飾件股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603035). Since March 2015, Mr. Zhu has been serving as an independent non-executive director of Tsaker New Energy Tech Co., Limited (彩客新能源科技有限公司), a company listed on the Stock Exchange (stock code: 1986), formerly known as Tsaker Chemical Group Limited (彩客化學集團有限公司). From November 2020 to August 2022, Mr. Zhu also served as an independent non-executive director of Sino-Ocean Service Holding Limited (遠洋服務控股有限公司), a company listed on the Stock Exchange (stock code: 6677). Since May 2024, he has been serving as an independent non-executive director of Qunabox Group Limited (趣致集團), a company listed on the Stock Exchange (stock code: 0917).

Mr. Zhu obtained a bachelor's degree in overseas financial accounting (會計系外國財務會計專門化) from the Central University of Finance and Economics (中央財經大學) in Beijing in June 1995. Mr. Zhu has been a member of the Chinese Institute of Certified Public Accountants since February 2000.

Other Information

Mr. Ding Zhiping (丁治平), aged 65, is an independent non-executive Director. He is primarily responsible for supervising the Board and providing independent judgement.

Mr. Ding has over 44 years of work experience. Since May 2022, Mr. Ding has been working at Xinjiang Tianshun Supply Chain Co., Ltd. (新疆天順供應鏈股份有限公司, a company established in the PRC of which its shares are listed on the Shenzhen Stock Exchange (stock code: 002800)) where he is currently the chairman of the board of directors and the general manager. From April 2002 to May 2022, he served as the chairman of the board of directors and the general manager at Xinjiang International Industry Co., Ltd. (新疆國際實業股份有限公司). From November 1995 to April 1997, he served as a senior engineer at Bank of China, Xinjiang Branch. From February 2002 to April 2002, he served as chairman of the board of directors and general manager at Xinjiang Foreign Economic and Trade Group Co., Ltd. (新疆外經貿集團有限責任公司).

Mr. Ding obtained a bachelor's degree in computer science from the Hefei University of Technology (合肥工業大學) in Hefei in September 1987, a master's degree in business management from the Auckland Institute of Studies in Auckland, New Zealand in April 1999 and an executive master of business administration from the Cheung Kong Graduate School of Business (長江商學院) in Beijing in May 2010.

Save as disclosed above, the Company is not aware of the changes to information in respect of the Directors, supervisors and senior management of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this interim report, the Audit Committee consists of three members, namely Mr. Zhu Lin, Ms. Wang Jing (appointed on 23 August 2024) and Mr. Ding Zhiping. Mr. Bai Kun resigned as member of Audit Committee on 23 August 2024. Mr. Zhu Lin is the chairman of the Audit Committee.

REVIEW OF THE INTERIM REPORT

The Audit Committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 and the interim report of the Group for the six months ended 30 June 2024. The Audit Committee has no disagreement with the accounting treatment in unaudited interim financial information and this interim report. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information of the Group for the six months ended 30 June 2024.

By order of the Board

Li Qing

Chairman

Beijing, China, 23 August 2024

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF ARCHOSAUR GAMES INC.

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 34 to 74, which comprises the interim condensed consolidated balance sheet of Archosaur Games Inc. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2024 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 23 August 2024

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	6	439,432	402,256
Cost of revenue	9	(117,686)	(104,519)
Gross profit		321,746	297,737
Research and development expenses	9	(264,104)	(299,244)
Selling and marketing expenses	9	(172,711)	(164,358)
Administrative expenses	9	(47,009)	(51,817)
Net impairment reversal/(losses) on financial assets	9	2,555	(633)
Other income	7	1,750	3,384
Other gains/(losses), net	8	3,804	(26,996)
Operating loss		(153,969)	(241,927)
Finance income	10	26,013	23,434
Finance costs	10	(1,442)	(2,586)
Finance income, net	10	24,571	20,848
Share of results of investments accounted for using the equity method	17	(3,483)	(12,516)
Loss before income tax		(132,881)	(233,595)
Income tax (expense)/credit	11	(1,160)	572
Loss for the period		(134,041)	(233,023)
Loss attributable to:			
– Owners of the Company		(134,041)	(233,023)
– Non-controlling interests		–	–
		(134,041)	(233,023)
Loss per share attributable to owners of the Company for the period (in RMB/share)	12		
– Basic		(0.17)	(0.30)
– Diluted		(0.17)	(0.30)

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

Note	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Loss for the period	(134,041)	(233,023)
Other comprehensive income, net of tax:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	3,145	17,361
<i>Items that will not be reclassified to profit or loss</i>		
Currency translation differences	14,273	51,864
Total comprehensive loss for the period	(116,623)	(163,798)
Attributable to:		
– Owners of the Company	(116,623)	(163,798)
– Non-controlling interests	–	–
	(116,623)	(163,798)

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

Interim Condensed Consolidated Balance Sheet

As at 30 June 2024

	Note	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	14	13,258	17,904
Right-of-use assets	16	31,845	42,703
Intangible assets	15	106,533	111,500
Investments accounted for using the equity method	17	57,499	60,982
Prepayments, other receivables and other assets	19	16,841	14,136
Term deposits		116,212	115,616
Financial assets at fair value through profit or loss	20	166,102	150,146
Other financial assets at amortized cost	21	71,591	–
Deferred tax assets		15,617	13,780
		<u>595,498</u>	<u>526,767</u>
Current assets			
Trade receivables	18	106,716	110,081
Prepayments, other receivables and other assets	19	125,851	99,967
Financial assets at fair value through profit or loss	20	579,276	790,271
Term deposits		694,222	635,105
Restricted cash		–	26,399
Cash and cash equivalents		558,478	555,033
		<u>2,064,543</u>	<u>2,216,856</u>
Total assets		<u>2,660,041</u>	<u>2,743,623</u>
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	22	55	55
Share premium	22	6,980,287	6,964,953
Other reserves	23	(1,620,658)	(1,631,263)
Accumulated losses		(3,133,853)	(2,999,812)
		<u>2,225,831</u>	<u>2,333,933</u>
Non-controlling interests		<u>–</u>	<u>–</u>
Total equity		<u>2,225,831</u>	<u>2,333,933</u>

Interim Condensed Consolidated Balance Sheet

As at 30 June 2024

	Note	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Contract liabilities	6	10,726	9,915
Lease liabilities	16	761	15,002
Deferred income tax liabilities		2,903	1,233
		<u>14,390</u>	<u>26,150</u>
Current liabilities			
Trade and other payables	25	129,365	154,320
Contract liabilities	6	253,533	194,187
Current income tax liabilities		5,767	5,740
Lease liabilities	16	31,155	29,293
		<u>419,820</u>	<u>383,540</u>
Total liabilities		<u>434,210</u>	<u>409,690</u>
Total equity and liabilities		<u>2,660,041</u>	<u>2,743,623</u>

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

The Interim Condensed Consolidated Financial Information on pages 34 to 74 was approved by the Board of Directors on 23 August 2024 and was signed on its behalf.

Li Qing
Director

Bai Wei
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the Six Months ended 30 June 2024

	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
(Unaudited)						
Balance at 1 January 2024		<u>55</u>	<u>6,964,953</u>	<u>(1,631,263)</u>	<u>(2,999,812)</u>	<u>2,333,933</u>
Comprehensive loss						
Loss for the period		-	-	-	(134,041)	(134,041)
Other comprehensive income						
Currency translation differences		-	-	17,418	-	17,418
Total comprehensive loss		<u>-</u>	<u>-</u>	<u>17,418</u>	<u>(134,041)</u>	<u>(116,623)</u>
Transactions with owners in their capacity as owners						
Share-based compensation	24(c)	-	-	13,577	-	13,577
Vesting of restricted share units	22, 23	-	20,390	(20,390)	-	-
Repurchase and cancellation of shares	22, 23	-	(5,056)	-	-	(5,056)
Total transactions with owners in their capacity as owners		<u>-</u>	<u>15,334</u>	<u>(6,813)</u>	<u>-</u>	<u>8,521</u>
Balance at 30 June 2024		<u>55</u>	<u>6,980,287</u>	<u>(1,620,658)</u>	<u>(3,133,853)</u>	<u>2,225,831</u>

Interim Condensed Consolidated Statement of Changes in Equity

For the Six Months ended 30 June 2024

	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total equity RMB'000
(Unaudited)						
Balance at 1 January 2023		55	6,946,624	(1,672,199)	(2,684,251)	2,590,229
Comprehensive loss						
Loss for the period		-	-	-	(233,023)	(233,023)
Other comprehensive income						
Currency translation differences		-	-	69,225	-	69,225
Total comprehensive loss		-	-	69,225	(233,023)	(163,798)
Transactions with owners in their capacity as owners						
Share-based compensation	24(c)	-	-	18,135	-	18,135
Vesting of restricted share units	22, 23	-	5,083	(5,083)	-	-
Repurchase and cancellation of shares	22, 23	-	(18,525)	15,211	-	(3,314)
Total transactions with owners in their capacity as owners		-	(13,442)	28,263	-	14,821
Balance at 30 June 2023		55	6,933,182	(1,574,711)	(2,917,274)	2,441,252

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

Interim Condensed Consolidated Statement of Cash Flows

For the Six Months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations		(75,439)	(171,127)
Interest received		8,347	10,976
Income tax paid		(1,221)	(457)
Net cash used in operating activities		(68,313)	(160,608)
Cash flows from investing activities			
Purchases of property, plant and equipment		(286)	(644)
Payment for intangible assets purchases		(15,748)	(1,680)
Purchases of other financial assets at amortized cost		(69,590)	–
Purchases of financial assets at fair value through profit or loss	20	(278,699)	(906,000)
Payments for investments accounted for using the equity method		–	(1,000)
Placements of restricted cash		–	(16,981)
Purchases of term deposits		(398,902)	(587,493)
Loan granted to related party		–	(3,000)
Proceeds from maturity of financial assets at fair value through profit or loss		482,838	862,084
Receipt from maturity of restricted cash		26,399	15,982
Proceeds from maturity of term deposits		344,975	263,306
Interest income from term deposits		17,353	1,996
Investment income from financial assets at fair value through profit or loss		3,133	2,734
Investment income/(losses) from other financial assets at amortized cost		–	(728)
Repayment of loan from related party		1,100	–
Proceeds from disposal of property, plant and equipment		139	54
Proceeds from disposal of other financial assets measured at amortized cost		–	34,823
Net cash generated from/(used in) investing activities		112,712	(336,547)

Interim Condensed Consolidated Statement of Cash Flows

For the Six Months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows from financing activities			
Principal elements of lease payments	16	(15,345)	(20,038)
Interest paid	16	(930)	(2,327)
Payments for shares repurchase		(27,274)	–
Proceeds from borrowings		–	17,900
Repayment of borrowings		–	(17,900)
Net cash used in financing activities		(43,549)	(22,365)
Net increase/(decrease) in cash and cash equivalents		850	(519,520)
Cash and cash equivalents at the beginning of the period		555,033	1,232,999
Exchange gains on cash and cash equivalents		2,595	15,404
Cash and cash equivalents at the end of the period		558,478	728,883

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

Notes to the Interim Condensed Consolidated Financial Information

1 GENERAL INFORMATION

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

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

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

The interim condensed consolidated financial information for the six months ended 30 June 2024 is presented in Renminbi and all values are rounded to the nearest thousand (RMB’000) unless otherwise indicated. The interim condensed consolidated financial information for the six months ended 30 June 2024 has been approved on 23 August 2024.

This interim condensed consolidated financial information for the six months ended 30 June 2024 has not been audited.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”). This interim condensed consolidated financial information should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2023 (the “2023 Financial Statements”), which have been prepared in accordance with IFRS Accounting Standards.

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those set out in the 2023 Financial Statements.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the current reporting period commencing 1 January 2024:

Standards and amendments	Effective for annual periods beginning on or after
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
Amendments to IAS 1 on Non-current Liabilities with Covenants	1 January 2024
Amendment to IFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Amendment to IAS 7 and IFRS 7 – Supplier finance Arrangements	1 January 2024

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

Notes to the Interim Condensed Consolidated Financial Information

3 ACCOUNTING POLICIES *(Continued)*

(b) New standards and interpretations not yet adopted

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

Standards and amendments	Effective for annual periods beginning on or after
Amendments to IAS 21 on Lack of Exchangeability	1 January 2025
Amendment to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	To be determined

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key source of estimation uncertainty were the same as those that applied to the 2023 Financial Statements.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial information as set out in the 2023 Financial Statements.

5.2 Liquidity risk

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

Notes to the Interim Condensed Consolidated Financial Information

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.2 Liquidity risk *(Continued)*

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000
Group					
At 30 June 2024					
(Unaudited)					
Trade and other payables (excluding payroll liabilities and tax payables) (Note 25)	88,954	-	-	-	88,954
Lease liabilities	31,962	618	165	-	32,745
	<u>120,916</u>	<u>618</u>	<u>165</u>	<u>-</u>	<u>121,699</u>
At 31 December 2023					
(Audited)					
Trade and other payables (excluding payroll liabilities and tax payables) (Note 25)	77,912	-	-	-	77,912
Lease liabilities	30,735	14,887	329	-	45,951
	<u>108,647</u>	<u>14,887</u>	<u>329</u>	<u>-</u>	<u>123,863</u>

5.3 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as at 30 June 2024 and 31 December 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

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

Notes to the Interim Condensed Consolidated Financial Information

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.3 Fair value estimation *(Continued)*

The following table presents the Group's financial assets that are measured at fair value as at 30 June 2024, none of the Group's financial liabilities is measured at fair value:

(Unaudited)

As at 30 June 2024

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Current				
Investments in wealth management products (Note 20)	-	-	387,810	387,810
Other fund investments (Note 20)	-	-	163,400	163,400
Structured investments (Note 20)	-	-	28,066	28,066
	<u>-</u>	<u>-</u>	<u>579,276</u>	<u>579,276</u>
Non-current				
Investments in private equity funds and venture capital funds (Note 20)	-	-	135,259	135,259
Preferred shares investments (Note 20)	-	-	17,567	17,567
Other fund investments (Note 20)	-	-	9,748	9,748
Other ordinary share investments (Note 20)	-	-	3,528	3,528
	<u>-</u>	<u>-</u>	<u>166,102</u>	<u>166,102</u>
	<u>-</u>	<u>-</u>	<u>745,378</u>	<u>745,378</u>

Notes to the Interim Condensed Consolidated Financial Information

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.3 Fair value estimation *(Continued)*

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2023, none of the Group's financial liabilities is measured at fair value.

(Audited)

As at 31 December 2023	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Current				
Investments in wealth management products (Note 20)	–	–	433,293	433,293
Other fund investments (Note 20)	–	–	157,361	157,361
Structured investments (Note 20)	–	–	199,617	199,617
	–	–	790,271	790,271
Non-current				
Investments in private equity funds and venture capital funds (Note 20)	–	–	135,935	135,935
Preferred shares investments (Note 20)	–	–	2,868	2,868
Other fund investments (Note 20)	–	–	7,815	7,815
Other ordinary share investments (Note 20)	–	–	3,528	3,528
	–	–	150,146	150,146
	–	–	940,417	940,417

The changes in level 3 instruments of financial assets at fair value through profit or loss for the six months ended 30 June 2024 and 2023 have been disclosed in Note 20. There were no transfers among Levels 1, 2 and 3 during the periods.

Specific valuation techniques used to value financial instruments include:

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

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

Notes to the Interim Condensed Consolidated Financial Information

5 FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value estimation (Continued)

The components of the level 3 instruments include investments in wealth management products, preferred shares investments, other ordinary share investments, investments in private equity funds and venture capital funds, other fund investments and, structured investments. As these instruments are not traded in an active market, their fair values have been determined by using applicable methodologies.

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurement of the aforementioned instruments.

Description	Fair value		Significant unobservable inputs	Range of inputs (probability weighted average)		Relationship of unobservable inputs to fair value
	As at 30 June 2024	As at 31 December 2023		As at 30 June 2024	As at 31 December 2023	
	RMB'000	RMB'000				
Wealth management products	387,810	433,293	Expected rate of return	2.36% to 4.28%	2.14% to 6.00%	Increasing/decreasing expected rate of return by 50 basis points would increase/decrease fair value by RMB1,943,847 and RMB1,350,868 as at 30 June 2024 and 31 December 2023.
Preferred share investments (Note (a))	17,567	2,868	Expected volatility	44.93% to 45.26%	35.80% to 38.89%	The higher the expected volatility, the lower the fair value.
			Risk-free rate	1.8% to 1.92%	2.23% to 2.40%	The higher the risk-free rate, the lower the fair value.
			Discount for lack of marketability ("DLOM")	30.00%	26.00%	The higher the DLOM, the lower the fair value.
Other ordinary share investments (Note (a))	3,528	3,528	Expected volatility	50.01% to 53.16%	51.77% to 54.88%	The higher the expected volatility, the higher the fair value.
			Risk-free rate	1.93% to 2.31%	2.03% to 2.30%	The higher the risk-free rate, the higher the fair value.
			DLOM	32.00%	33.00%	The higher the DLOM, the lower the fair value.
Investments in private equity funds and venture capital funds (Note (b))	135,259	135,935	Net asset value	N/A	N/A	The higher the net asset value, the higher the fair value.
Other fund investments (Note (c))	173,148	165,176	Net asset value	N/A	N/A	The higher the net asset value, the higher the fair value.
Structured investments (Note (c))	28,066	199,617	Net asset value	N/A	N/A	The higher the net asset value, the higher the fair value.
	<u>745,378</u>	<u>940,417</u>				

Notes to the Interim Condensed Consolidated Financial Information

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.3 Fair value estimation *(Continued)*

Note:

- (a) The Group determines the fair values of preferred share investments and other ordinary share investments as at the reporting date based on the valuation using applicable technique.
- (b) The fair value of investments in private equity funds and venture capital funds are primarily valued based on the net asset values in the latest available consolidated financial statements and valuation reports provided by their general partners.
- (c) Other fund investments and structured investments at fair value through profit or loss as at the reporting date based on the reported net asset values of the respective instruments as provided by fund managers or their issuers.

6 SEGMENT INFORMATION AND REVENUE

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

As at 30 June 2024 and 31 December 2023, substantially all of the non-current assets of the Group were located in the PRC.

Revenue for the six months ended 30 June 2024 and 2023 are as follows: the Group considered itself as an agent in arrangements of "development and licensing business", and recorded revenue on a net basis; whereas, the Group considered itself as a principal in arrangements of "integrated game publishing and operation business", and recorded revenue on a gross basis.

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Online game revenue		
– Development and licensing		
<i>Revenue share</i>	57,478	85,045
<i>Non-refundable fixed licensing fees</i>	4,537	15,745
– Integrated game publishing and operation	376,527	301,135
– Others	890	331
	439,432	402,256
Timing of revenue recognition		
– At a point in time	57,773	85,376
– Over time	381,659	316,880
	439,432	402,256

Notes to the Interim Condensed Consolidated Financial Information

6 SEGMENT INFORMATION AND REVENUE (Continued)

Revenues of approximately RMB62,237,000 and RMB100,764,000 for the six months ended 30 June 2024 and 2023, respectively were derived from five largest single external customers.

During the six months ended 30 June 2024, revenue of approximately RMB47,742,000 was derived from a single external customer accounted for more than 10% of total revenue.

During the six months ended 30 June 2023, revenue of approximately RMB67,113,000 was derived from a single external customer accounted for more than 10% of total revenue.

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue segment by geography		
Chinese mainland	303,983	238,245
Areas outside Chinese mainland	135,449	164,011
	439,432	402,256

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
	Contract costs	
Current		
Costs to fulfil contracts for online game revenue	54,335	45,225
Contract liabilities		
Current		
Unamortised revenue from sales of in-game virtual items	238,518	176,869
Revenue share received in advance	3,198	4,577
Unamortised balance of the non-refundable fixed licensing fees	11,817	12,741
	253,533	194,187
Non-Current		
Unamortised balance of the non-refundable fixed licensing fees	10,726	9,915
	264,259	204,102

Notes to the Interim Condensed Consolidated Financial Information

6 SEGMENT INFORMATION AND REVENUE *(Continued)*

Contract costs are mainly related to contract fulfilment costs, which primarily consist of unamortized commissions charged by the distribution channels. They are capitalized as contract fulfilment costs and amortized over their respective Player Relationship Periods, which is consistent with the pattern of recognition of the associated revenue.

Contract liabilities primarily represent the unamortized revenue from sales of in-game virtual items in the Group's online game services, the non-refundable fixed licensing fees and revenue share received in advance from customers, which the Group continued to have obligations as at the reporting date.

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue recognised that was included in the contract liability balance at the beginning of the period</i>		
Unamortised revenue from sales of in-game virtual items	176,646	47,189
Revenue share received in advance	1,568	1,816
Unamortised balance of the non-refundable fixed licensing fees	3,170	5,351
	181,384	54,356

7 OTHER INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants	1,750	3,384

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

Notes to the Interim Condensed Consolidated Financial Information

8 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gains/(losses) on financial assets at fair value through profit or loss	10,784	(8,583)
Foreign exchange losses, net	(9,597)	(18,071)
Others	2,617	(342)
	<u>3,804</u>	<u>(26,996)</u>

9 EXPENSES BY NATURE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Employee benefit expenses	274,568	303,213
Promotion and advertising expenses	144,971	128,915
Commissions charged by distribution channels and payment channels	86,444	76,105
Outsourced technical services	29,949	38,478
Depreciation and amortization charges (Note 14, 15, 16)	25,438	32,924
Bandwidth and servers custody fee	11,820	10,305
Revenue share to the IP holders	9,600	8,197
Utilities and office expenses	8,401	11,059
Other professional consulting fees	2,409	2,491
VAT input transfer out and tax surcharges	2,340	1,876
Travelling expenses	2,297	2,347
Auditors' remuneration	1,000	1,230
– Audit services	1,000	1,230
– Non-audit services	–	–
Net impairment (reversal)/losses on financial assets	(2,555)	633
Others	2,273	2,798
	<u>598,955</u>	<u>620,571</u>

Notes to the Interim Condensed Consolidated Financial Information

10 FINANCE INCOME, NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income	26,013	23,434
Finance costs		
Interest expenses on lease liabilities (Note 16)	(962)	(2,176)
Others	(480)	(410)
	(1,442)	(2,586)
Finance income, net	24,571	20,848

11 INCOME TAX EXPENSE/(CREDIT)

The income tax expense/(credit) of the Group for the six months ended 30 June 2024 and 2023 is analyzed as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax expense	1,327	560
Deferred income tax	(167)	(1,132)
	1,160	(572)

Notes to the Interim Condensed Consolidated Financial Information

11 INCOME TAX EXPENSE/(CREDIT) (Continued)

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

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

(b) Hong Kong Income Tax

The entity incorporated in Hong Kong is subject to Hong Kong profit tax at rate of 16.5% on the assessable profits for the six months ended 30 June 2024 and 2023, based on the existing legislation, interpretations and practices in respect thereof.

(c) PRC Enterprise Income Tax (“EIT”)

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits for the six months ended 30 June 2024, based on the existing legislation, interpretations and practices in respect thereof.

Tianjin Loong Technology Co., Ltd. (祖龍(天津)科技股份有限公司) (“Tianjin Loong”) qualified as a “High and New Technology Enterprise” (“HNTE”) under the EIT law in 2017. In November 2023, Tianjin Loong renewed its qualification. Tianjin Loong is entitled to a preferential income tax rate of 15% on its assessable profits for three-year periods from November 2023 to November 2026.

Huai’an Loong Technology Co., Ltd. (淮安祖龍科技有限公司) (“Huai’an Loong”) qualified as a HNTE for a three-year period since 2018 and renewed its qualification in November 2021 for another three-year period. Huai’an Loong is entitled to a preferential income tax rate of 15% on its assessable profits for a three-year period from November 2021 to November 2024.

Beijing Fantasy Mermaid Technology Limited (北京幻想美人魚科技有限公司) (“Beijing Fantasy Mermaid”) qualified as a HNTE for a three-year period since 2019 and renewed its qualification in December 2022 for another three-year period. Beijing Fantasy Mermaid is entitled to a preferential income tax rate of 15% on its assessable profits for a three-year period from December 2022 to December 2025.

Chengdu Fantasy Mermaid Technology Limited (成都幻想美人魚科技有限公司), Beihai Loong Venture Capital Co., Ltd. (北海祖龍創業投資有限公司) and Beihai Longhao Venture Capital Co., Ltd. (北海龍灝創業投資有限公司) met the requirements of the revised catalogue of industries whose development are to be encouraged in the country’s western regions. They are entitled to a preferential income tax rate of 15% on their assessable profits.

According to a policy promulgated by the State Tax Bureau of the PRC that was effective from 2023 onwards, enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses incurred as tax deductible expenses in determining tax assessable profits (“Super Deduction”). The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the year.

Notes to the Interim Condensed Consolidated Financial Information

12 LOSS PER SHARE

(a) Basic

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

	<u>Six months ended 30 June</u>	
	<u>2024</u>	2023
	<u>(Unaudited)</u>	(Unaudited)
Loss attributable to owners of the Company (RMB'000)	(134,041)	(233,023)
Weighted average number of ordinary shares in issue (in thousands)	786,169	783,926
Basic loss per share (in RMB/share)	(0.17)	(0.30)

(b) Diluted

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

For the six months ended 30 June 2024 and 2023, the Company has two categories of dilutive potential ordinary shares: the restricted share unit ("RSU") and the share options as described in Note 24.

For the purpose of calculating diluted loss per share for the six months ended 30 June 2024 and 2023, RSUs and share options are assumed to have been converted into ordinary shares with no corresponding change in net loss attributable to ordinary shareholders. This potential adjustment resulted in an anti-dilutive effect in the calculation of diluted loss per share for the six months ended 30 June 2024 and 2023.

13 DIVIDENDS

No dividend has been declared or paid by the Company for the six months ended 30 June 2024 and 2023.

Notes to the Interim Condensed Consolidated Financial Information

14 PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Furniture RMB'000	Leasehold improvements RMB'000	Total RMB'000
Six months ended 30 June 2024				
(Unaudited)				
Opening net book amount	12,696	150	5,058	17,904
Additions	325	-	-	325
Disposals	(142)	(2)	-	(144)
Depreciation charge	(3,364)	(29)	(1,434)	(4,827)
Closing net book amount	9,515	119	3,624	13,258
Six months ended 30 June 2023				
(Unaudited)				
Opening net book amount	18,977	191	10,140	29,308
Additions	635	22	-	657
Disposals	(48)	(1)	-	(49)
Depreciation charge	(3,744)	(30)	(3,518)	(7,292)
Closing net book amount	15,820	182	6,622	22,624

15 INTANGIBLE ASSETS

	Software RMB'000	Copyrights and game licenses RMB'000	Trademark and domain names RMB'000	Total RMB'000
Six months ended 30 June 2024				
(Unaudited)				
Opening net book amount	35,103	76,366	31	111,500
Additions	1,065	-	-	1,065
Amortisation charge	(3,237)	(2,966)	(9)	(6,212)
Currency translation differences	180	-	-	180
Closing net book amount	33,111	73,400	22	106,533
Six months ended 30 June 2023				
(Unaudited)				
Opening net book amount	37,077	91,191	49	128,317
Additions	3,250	4,957	-	8,207
Amortisation charge	(3,386)	(3,057)	(9)	(6,452)
Currency translation differences	1,148	37	-	1,185
Closing net book amount	38,089	93,128	40	131,257

Notes to the Interim Condensed Consolidated Financial Information

16 LEASES

(a) Amounts recognised in the interim condensed consolidated balance sheet

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Right-of-use assets		
Properties	31,845	42,597
Vehicles	—	106
	31,845	42,703
	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Lease liabilities		
Current	31,155	29,293
Non-current	761	15,002
	31,916	44,295

Notes to the Interim Condensed Consolidated Financial Information

16 LEASES (Continued)

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

The interim condensed consolidated statement of profit or loss shows the following amounts relating to leases:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation charge of right-of-use assets		
Properties	14,293	19,053
Vehicles	106	127
	14,399	19,180
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses (included in finance costs)	962	2,176
Expense relating to short-term leases (included in cost of revenue, research and development expenses, selling and marketing expenses and administrative expenses)	332	401
	1,294	2,577

The total cash outflow for leases in the six months ended 30 June 2024 and 2023 were RMB16,275,000 and RMB22,214,000, respectively.

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

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

(d) Extension options

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

Notes to the Interim Condensed Consolidated Financial Information

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Investments in associates using the equity method	<u>57,499</u>	<u>60,982</u>

The carrying amount of investments accounted for using the equity method has changed as follows in the six months to June 2024 and 2023:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Beginning of the period	60,982	78,087
Additions	-	1,000
Share of operating results	<u>(3,483)</u>	<u>(12,516)</u>
End of the period	<u>57,499</u>	<u>66,571</u>

As at 30 June 2024, the Group invested in three associates. In the opinion of the directors of the Company, none of the associates is material to the Group.

Notes to the Interim Condensed Consolidated Financial Information

18 TRADE RECEIVABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade receivables	117,151	121,971
Less: allowance for impairment of trade receivables	(10,435)	(11,890)
Trade receivables – net	106,716	110,081

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Related parties (Note 27(c))	32,268	42,654
Third parties	84,883	79,317
	117,151	121,971

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
RMB	70,663	62,419
United States Dollar ("U. S. dollars", "US\$")	41,807	54,279
Hong Kong Dollar ("HK\$")	4,585	5,173
Others	96	100
	117,151	121,971

Notes to the Interim Condensed Consolidated Financial Information

18 TRADE RECEIVABLES *(Continued)*

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Up to 3 months	88,152	84,254
3 to 6 months	10,520	11,755
6 months to 1 year	8,199	24,851
Over 1 year	10,280	1,111
	117,151	121,971

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Beginning of the period	(11,890)	(2,510)
Provision for impairment	(47)	(640)
Reversal of impairment	1,502	7
End of the period	(10,435)	(3,143)

The creation and release of provision for impaired receivables have been included in "Net impairment reversal/ (losses) on financial assets" in the interim condensed consolidated statement of profit or loss.

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

Notes to the Interim Condensed Consolidated Financial Information

19 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Included in non-current assets		
Rental deposits	8,717	8,675
Interest receivable	4,373	1,551
Others	3,751	3,910
	<u>16,841</u>	<u>14,136</u>
Included in current assets		
Contract fulfilment costs	54,335	45,225
Prepayments to stockbrokers for share repurchase	26,350	4,006
Recoverable value-added tax	9,845	12,802
Interest receivable	16,227	18,815
Prepaid revenue share to IP holders (Note (a))	3,092	3,092
Loan to related parties (Note 27)	4,793	5,893
Others	16,002	16,027
	<u>130,644</u>	<u>105,860</u>
Less: allowance for impairment (Note 27)	<u>(4,793)</u>	<u>(5,893)</u>
	<u>125,851</u>	<u>99,967</u>

Note:

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

Notes to the Interim Condensed Consolidated Financial Information

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Current		
Wealth management products (Note (a))	387,810	433,293
Other fund investments (Note (b))	163,400	157,361
Structured investments (Note (c))	28,066	199,617
	<u>579,276</u>	<u>790,271</u>
Non-current		
Investments in private equity funds and venture capital funds (Note (d))	135,259	135,935
Preferred shares investments (Note (e))	17,567	2,868
Other fund investments (Note (b))	9,748	7,815
Other ordinary share investments (Note (f))	3,528	3,528
	<u>166,102</u>	<u>150,146</u>
	<u>745,378</u>	<u>940,417</u>

Movements in financial assets at fair value through profit or loss during the six months ended 30 June 2024 and 2023 are as follows:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Beginning of the period	940,417	729,495
Addition-wealth management products	180,000	604,000
Addition-structured investments	80,000	302,000
Addition-preferred shares investments	14,699	–
Addition-investments in private equity funds and venture capital funds	4,000	–
Disposal	(484,522)	(855,211)
Changes in fair value	10,784	(8,583)
	<u>745,378</u>	<u>771,701</u>
End of the period		
Net unrealised gains/(losses) recognised in the condensed consolidated statement of profit or loss included in the above balance	<u>7,507</u>	<u>(13,753)</u>

Notes to the Interim Condensed Consolidated Financial Information

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

Note:

- (a) The Group purchased certain wealth management products issued by certain major commercial banks in the PRC. The Group has classified its investments in such wealth management products as financial assets at fair value through profit or loss. Fair values of these investments were estimated based on expected return of each wealth management products held by the Group.
- (b) Other fund investments represent the Group's investment in various securities funds, which were offered by several international financial institutions.
- (c) The Group purchased structured investments issued by several PRC and international financial institutions. The returns on all of these investments are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore they are measured at fair value through profit or loss. None of these investments are past due.
- (d) Investments in private equity funds and venture capital funds represent the Group's investment in certain venture funds as a limited partner. As the Group didn't have control or significant influence on these funds, the investments were classified as financial assets at fair value through profit or loss. These funds were established to obtain capital appreciation and investment income.
- (e) Preferred shares investments on unlisted companies represent the Group's investment in ordinary shares with preferential rights to require and demand the investee to redeem all of the shares held by the Group at guaranteed predetermined fixed amount upon redemption events which are out of control of issuers. Hence, these investments are accounted for as debt instruments and are measured at financial assets at fair value through profit or loss.
- (f) Other ordinary share investments on unlisted companies represent the Group's investment in ordinary shares without preferential rights. As the Group didn't have control or significant influence on these companies, the investments were classified as financial assets at fair value through profit or loss.

21 OTHER FINANCIAL ASSETS AT AMORTIZED COST

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Fixed-rate notes	<u>71,591</u>	<u>–</u>

Other financial assets at amortized cost is Fixed-rate notes, denominated in US\$, with guaranteed returns 5.68% for the six months ended 30 June 2024. The investment is held for collection of contractual cash flows and the contractual cash flows of this investment qualify for solely payments of principal and interest, hence it is measured at amortized costs. This investment isn't overdue.

Notes to the Interim Condensed Consolidated Financial Information

22 SHARE CAPITAL AND SHARE PREMIUM

		Number of ordinary shares	Nominal value of ordinary shares US\$	
Authorized				
At 1 January and 30 June 2024		<u>5,000,000,000</u>	<u>50,000</u>	
At 1 January and 30 June 2023		<u>5,000,000,000</u>	<u>50,000</u>	
			Equivalent	
	Number of	Nominal	Nominal	Share
	ordinary	value of	value of	premium
	shares	ordinary	ordinary	Share
		shares	shares	premium
		US\$'000	RMB'000	RMB'000
Issued				
At 1 January 2024	786,651,812	8	55	6,964,953
Vesting of RSUs (Note (a))	3,862,380	–	–	20,390
Cancellation of treasury shares	(4,371,000)	–	–	(5,056)
At 30 June 2024	<u>786,143,192</u>	<u>8</u>	<u>55</u>	<u>6,980,287</u>
At 1 January 2023	788,368,470	8	55	6,946,624
Vesting of RSUs (Note (a))	665,580	–	–	5,083
Cancellation of treasury shares	<u>(6,391,000)</u>	<u>–</u>	<u>–</u>	<u>(18,525)</u>
At 30 June 2023	<u>782,643,050</u>	<u>8</u>	<u>55</u>	<u>6,933,182</u>

Note:

- (a) During the six months ended 30 June 2024 and 2023, 3,862,380 and 665,580 ordinary shares of the Company were transferred to the share awardees upon vesting of the awarded shares under the scheme which is disclosed in Note 24(b).

Notes to the Interim Condensed Consolidated Financial Information

23 OTHER RESERVES

	Capital reserve RMB'000	Statutory reserve RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024	(1,851,237)	5,000	250,946	(12,681)	(23,291)	(1,631,263)
Share-based compensation (Note 24(c))	-	-	13,577	-	-	13,577
Vesting of RSUs	-	-	(20,390)	-	-	(20,390)
Repurchase and cancellation of shares (Note (a))	-	-	-	-	-	-
Currency translation differences	-	-	-	17,418	-	17,418
At 30 June 2024 (Unaudited)	(1,851,237)	5,000	244,133	4,737	(23,291)	(1,620,658)
At 1 January 2023	(1,851,237)	5,000	255,076	(42,536)	(38,502)	(1,672,199)
Share-based compensation (Note 24(c))	-	-	18,135	-	-	18,135
Vesting of RSUs	-	-	(5,083)	-	-	(5,083)
Repurchase and cancellation of shares (Note (a))	-	-	-	-	15,211	15,211
Currency translation differences	-	-	-	69,225	-	69,225
At 30 June 2023 (Unaudited)	(1,851,237)	5,000	268,128	26,689	(23,291)	(1,574,711)

Note:

- (a) During the six months ended 30 June 2024, the Group repurchased a total of 4,371,000 ordinary shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$5,534,660 (approximately RMB5,056,452). All the repurchased shares have been cancelled during the six months ended 30 June 2024.

During the six months ended 30 June 2023, the Group repurchased a total of 659,000 ordinary shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$3,744,880 (approximately RMB3,314,415). All the repurchased shares have been cancelled during the six months ended 30 June 2023.

Notes to the Interim Condensed Consolidated Financial Information

24 SHARE-BASED PAYMENTS

(a) Share Option Scheme

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

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

On 14 April 2021, 8,155,100 share options were granted to eligible grantees under the Share Option Scheme. Pursuant to the Share Option Scheme, subject to grantees’ employment or service to the Group through the applicable vesting date, the share options shall become vested with respect to 40%, 30% and 30% of the share options on each of the first trading day after 12, 24 and 36 months from the grant date. Each share option entitles the holder to subscribe for one share upon exercise of such share option at an exercise price of HK\$14.756 per share.

On 7 January 2022 (“modification date”), the Company cancelled the existing 6,764,377 exercisable share options (the “Outstanding share options”) and offered to grant 6,764,377 new share options to the existing holders to subscribe for 6,764,377 ordinary shares at a lower exercise price, which are served as replacement of the cancelled Outstanding share options under the Share Option Scheme. The exercise price was reduced from HK\$14.756 to HK\$8.72. The terms of the original share options are otherwise the same. This arrangement is treated as if the original share options had been modified. As a result, the incremental fair value granted should be expensed over the new vesting period since the modification date in addition to the Company continuing to charge for the original share options over the original vesting period.

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

Movements in the number of share options granted are as follows:

	Number of share options
Outstanding as at 1 January 2024	1,318,163
Vested	(1,251,533)
Forfeited	(66,630)
Outstanding as at 30 June 2024	-
Outstanding as at 1 January 2023	3,079,845
Vested	(1,434,925)
Forfeited	(235,857)
Outstanding as at 30 June 2023	1,409,063

No share option was expired or exercised during the six months ended 30 June 2024 and the remaining contractual life of outstanding share options was 7.5 years as of 30 June 2024.

Notes to the Interim Condensed Consolidated Financial Information

24 SHARE-BASED PAYMENTS *(Continued)*

(a) Share Option Scheme *(Continued)*

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

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

Key parameters and results in applying the binomial model on original grant date and modification date of share options are summarized as below:

	Grant date	Modification date	
	As at 14 April 2021	As at 7 January 2022 Before modification	After modification
Risk-free interest rate	1.30%	1.74%	1.81%
Volatility	56.00%	55.73%	55.54%
Dividend yield	0.52%	0.85%	0.85%
Fair value per share option (HK\$)	6.02	2.22	3.38

(b) Restricted Share Unit Scheme

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

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

On 1 February 2021, 29 March 2021, 25 August 2021, 25 March 2022 and 30 August 2022, the Company granted RSUs representing an aggregate of 2,521,200 underlying shares to certain eligible employees pursuant to the Pre-IPO RSU Scheme. Subject to grantees' employment or service to the Group through the applicable vesting date, the RSUs shall become vested with respect to 40%, 30% and 30% of the RSUs on each of the first trading day after 12, 24 and 36 months from a certain date.

On 22 December 2022, the new RSU scheme of the Company was approved and adopted by the shareholders ("RSU Scheme").

Notes to the Interim Condensed Consolidated Financial Information

24 SHARE-BASED PAYMENTS *(Continued)*

(b) Restricted Share Unit Scheme *(Continued)*

On 6 April 2023 and 29 August 2023, the Company granted RSUs representing an aggregate of 9,295,000 underlying shares to certain eligible employees pursuant to the RSU Scheme. Subject to grantees' employment or service to the Group through the applicable vesting date, the RSUs shall become vested with respect to 40%, 30% and 30% of the RSUs on each of the first day after 12, 24 and 36 months from a certain date.

Movements in the number of underlying shares represented by RSUs under the Pre-IPO RSU Scheme and the RSU Scheme for the six months ended 30 June 2024 and 2023 are as follows:

	Number of underlying shares represented by RSUs	Weighted average grant date fair value per RSU (HK\$)
Outstanding as at 1 January 2024	9,702,480	5.640
Granted	–	–
Vested	(3,862,380)	5.834
Forfeited	(170,000)	5.480
Outstanding as at 30 June 2024	5,670,100	5.514
Outstanding as at 1 January 2023	5,888,780	8.696
Granted	9,020,000	5.480
Vested	(665,580)	8.855
Forfeited	(321,458)	9.388
Outstanding as at 30 June 2023	13,921,742	6.589

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

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

The fair value of the RSUs granted on 1 February 2021, 29 March 2021, 25 August 2021, 25 March 2022, 30 August 2022, and 6 April 2023 and 29 August 2023 were determined using the market method with reference to the grant date closing share price of the Company. The fair values of the RSUs at the date of grant are HK\$21.50, HK\$15.56, HK\$8.53, HK\$7.63, HK\$3.84, HK\$5.48 and HK\$3.45 per share.

Notes to the Interim Condensed Consolidated Financial Information

24 SHARE-BASED PAYMENTS *(Continued)*

(c) Expenses arising from share-based payment transactions

For the six months ended 30 June 2024 and 2023, share-based compensation expenses arising from the share-based awards granted by the Company have been charged to the interim condensed consolidated statement of profit or loss as follows:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cost of revenue	313	351
Administrative expenses	2,424	3,152
Selling and marketing expenses	1,243	1,108
Research and development expenses	9,597	13,524
	13,577	18,135

25 TRADE AND OTHER PAYABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
	Trade payables	79,271
Payroll liabilities	36,703	60,844
Tax payables	3,708	15,564
Others	9,683	10,726
	129,365	154,320

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
	Related parties (Note 27(c))	13,893
Third parties	65,378	57,458
	79,271	67,186

Notes to the Interim Condensed Consolidated Financial Information

25 TRADE AND OTHER PAYABLES *(Continued)*

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Up to 6 months	54,886	48,595
6 months to 1 year	8,096	14,383
Over 1 year	16,289	4,208
	79,271	67,186

26 COMMITMENTS

(a) Capital Commitments

The Group had no significant capital expenditure contracted for but not recognised as liabilities as at 30 June 2024 and 31 December 2023.

(b) Operating lease commitments

The Group has non-cancelable operating lease agreements with initial terms of 12 months or less. The portfolio of short-term leases to which the Group was committed as at 30 June 2024 and 31 December 2023 is similar to the portfolio of short-term lease to which the short-term lease expenses is disclosed in Note 16.

Notes to the Interim Condensed Consolidated Financial Information

27 RELATED PARTY TRANSACTIONS

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

(a) Names and relationships with related parties

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

Company	Relationship
Shenzhen Tencent Computer Systems Company Limited	Subsidiary of a shareholder that has significant influence on the Group
Beijing Perfect World Software Technology Development Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Chengdu Perfect World Network Technology Co., Ltd.	Subsidiary of a shareholder that has significant influence on the Group
Tencent Cloud Computing (Beijing) Company Limited	Subsidiary of a shareholder that has significant influence on the Group
Sixjoy Hong Kong Limited	Subsidiary of a shareholder that has significant influence on the Group
Shenzhen Tencent Tianyou Technology Company Limited	Subsidiary of a shareholder that has significant influence on the Group
Tencent Technology (Shenzhen) Company Limited	Subsidiary of a shareholder that has significant influence on the Group
Beijing Vega Interactive Network Technology Co., Ltd.	Associate of the Group
Huai'an FlameDragon Entertainment Software Co., Ltd.	Associate of the Group

(b) Significant transactions with related parties

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Provision of services:		
Shenzhen Tencent Computer Systems Company Limited	46,873	59,723
Sixjoy Hong Kong Limited	869	7,066
Shenzhen Tencent Tianyou Technology Company Limited	-	324
Huai'an FlameDragon Entertainment Software Co., Ltd.	-	14
	<u>47,742</u>	<u>67,127</u>

Notes to the Interim Condensed Consolidated Financial Information

27 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant transactions with related parties (Continued)

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Purchase of services:		
Tencent Cloud Computing (Beijing) Company Limited	6,597	4,907
Chengdu Perfect World Network Technology Co., Ltd.	2,420	2,365
Shenzhen Tencent Computer Systems Company Limited	1,664	1,696
Beijing Perfect World Software Technology Development Co., Ltd.	1,210	1,294
Tencent Technology (Shenzhen) Company Limited	5	–
Shenzhen Tencent Tianyou Technology Company Limited	–	272
	<u>11,896</u>	<u>10,534</u>
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loan granted to related parties:		
Beijing Vega Interactive Network Technology Co., Ltd.	–	3,017
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Repayment of loan from related parties:		
Beijing Vega Interactive Network Technology Co., Ltd.	1,100	–

Notes to the Interim Condensed Consolidated Financial Information

27 RELATED PARTY TRANSACTIONS (Continued)

(c) Period/Year end balances with related parties

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade receivables from related parties:		
Shenzhen Tencent Computer Systems Company Limited	30,882	29,258
Sixjoy Hong Kong Limited	1,347	13,348
Huai'an FlameDragon Entertainment Software Co., Ltd.	39	39
Shenzhen Tencent Tianyou Technology Company Limited	-	9
	32,268	42,654

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Loan to related parties:		
Beijing Vega Interactive Network Technology Co., Ltd.	1,966	3,066
Huai'an FlameDragon Entertainment Software Co., Ltd.	2,827	2,827
	4,793	5,893
Less: allowance for impairment	(4,793)	(5,893)
	-	-

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Contract liabilities to related parties:		
Shenzhen Tencent Computer Systems Company Limited	1,852	2,470

The contract liabilities to related parties arise from trade transactions.

Notes to the Interim Condensed Consolidated Financial Information

27 RELATED PARTY TRANSACTIONS (Continued)

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade payables to related parties:		
Chengdu Perfect World Network Technology Co., Ltd.	8,275	5,716
Beijing Perfect World Software Technology Development Co., Ltd.	4,138	2,858
Tencent Cloud Computing (Beijing) Company Limited	1,259	783
Beijing Vega Interactive Network Technology Co., Ltd.	216	363
Shenzhen Tencent Tianyou Technology Company Limited	5	8
	13,893	9,728

(d) Key management compensation

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Wages, salaries and bonuses	10,428	13,921
Other social security costs and housing benefits and other employee benefits	288	272
Pension costs – defined contribution plans	242	196
Share-based compensation	314	396
	11,272	14,785

28 CONTINGENCIES

The Group did not have any material contingent liabilities as at 30 June 2024 and 31 December 2023.

29 SUBSEQUENT EVENTS

On 3 July 2024, the Group subscribed for the wealth management product of US TREASURY NOTE ("bonds") through Morgan Stanley Asia with principal subscription amount of US\$10.1 million ("Bonds Subscription"). The purpose of the Bonds Subscription is for effective utilization of temporary idle funds, enhancement of the capital gain of the Group according with the objectives of ensuring capital safety and liquidity and meeting the working capital requirements of the Group's daily operations. The expected maturity date of the bonds would be 15 November 2033 (which can be sold in the secondary market at any time). The expected annualized yield of the bonds is 4.43%. Except for disclosed elsewhere in this report, there are no other material subsequent events undertaken by the Group after 30 June 2024.



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