

I N T E R I M  
REPORT

2024  
中期報告



友谊时光  
FRIENDTIMES

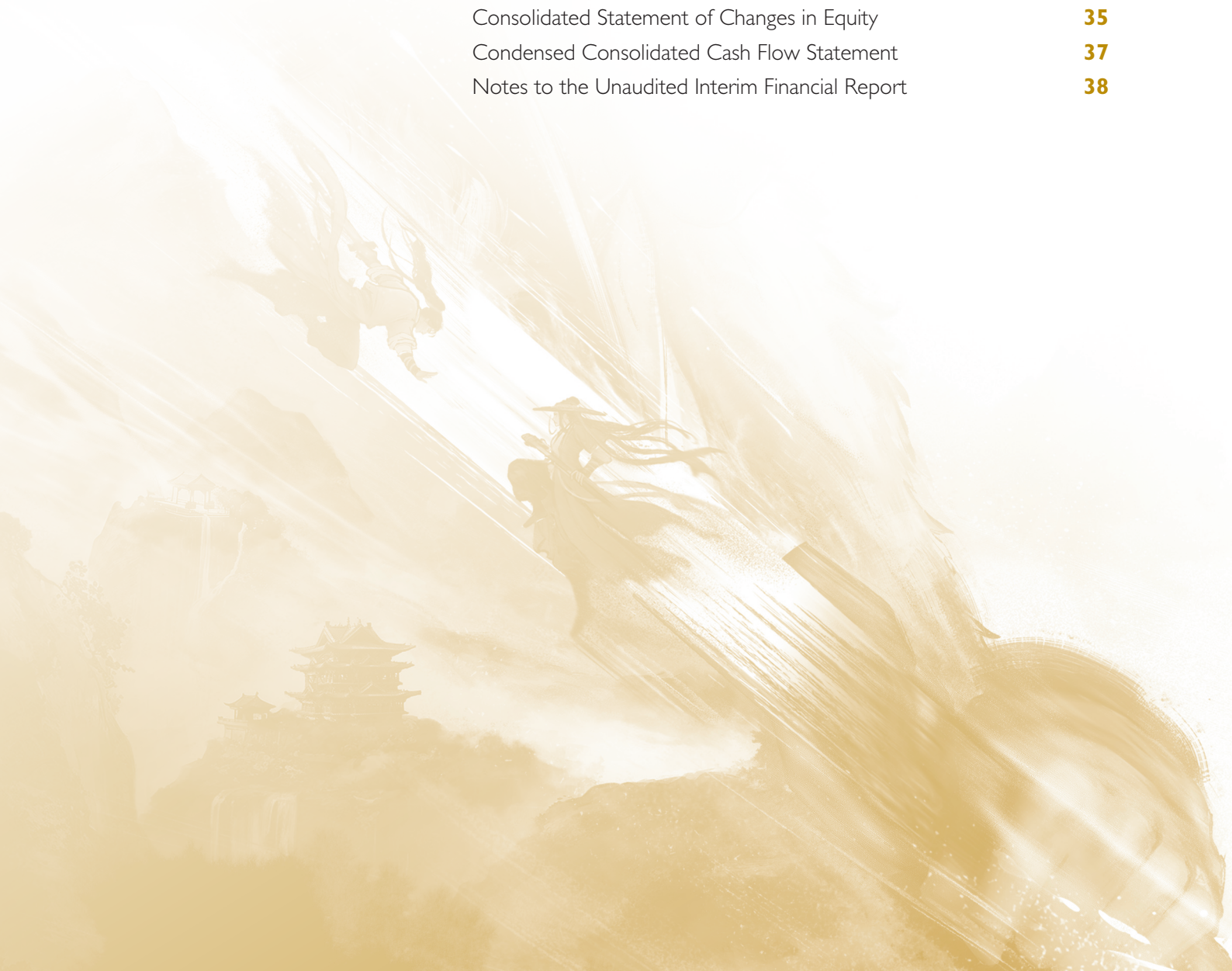
FRIENDTIMES INC.

Incorporated in the Cayman Islands  
with limited liability

Stock Code  
06820.HK

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# Definitions

“Adoption Date”	14 September 2020, being the date on which the Board adopted the Share Award Scheme
“AI”	Artificial intelligence
“AIGC”	AI Generated Content, refers to the content generated by using artificial intelligence technology
“APP”	a third-party application for smartphones
“App Store”	an online app distribution platform created by Apple Inc. for hardware running the iOS operating system
“Audit Committee”	the Company’s audit committee which was established in accordance with the requirements of the Listing Rules, for the purposes of reviewing and providing supervision over the Group’s financial reporting system, risk management and internal control
“Auditor”	KPMG, Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
“Award”	an award by the Board to a Selected Participant entitling the Selected Participant to receive such number of Awarded Shares and the related income on such terms and conditions as the Board may determine
“Awarded Shares”	in respect of a Selected Participant, such number of Shares determined by the Board under an Award
“Board” or “Board of Directors”	board of directors of the Company
“CEO”	chief executive officer
“CG Code”	Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Chairman”	chairman of the Board
“China” or “PRC”	the People’s Republic of China, unless otherwise stated, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan herein
“Company” or “our Company” or “the Company”	FriendTimes Inc., an exempted company incorporated in the Cayman Islands on 16 November 2018 with limited liability and listed on the Stock Exchange on 8 October 2019 (Stock code: 6820)

# Definitions

“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of this annual report, refers to the controlling shareholders of our Company, being Mr. Jiang, Gorgeous Sunshine, Eternal Heart, Ling Long, Future Wisdom, Warm Sunshine, Agile Eagle, Purple Dream, Purple Crystal (as defined respectively in the Prospectus)
“Director(s)”	director(s) of the Company
“Eligible Participant(s)”	any senior and mid-level management, core technical personnel and key employees who, at the absolute discretion of the Board, will contribute or have contributed to any member of the Group
“Group” or “the Group” or “we” or “us”, or “our” or “FriendTimes”	the Company and its subsidiaries, or where the context refers to any time prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“IP”	intellectual property
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	8 October 2019, the date on which the Shares of the Company were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	the Macau Special Administrative Region of the PRC
“Mini Games”	new game products in form of a mini program, conveniently providing click-to-play experiences without downloading
“Ministry of Culture and Tourism”	Ministry of Culture and Tourism of the People’s Republic of China
“Model Code”	the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix C3 to the Listing Rules
“Prospectus”	the prospectus of the Company dated 24 September 2019
“Remuneration Committee”	the Company’s remuneration committee which was established in accordance with the requirements of the Listing Rules

# Definitions

“Reporting Period”	from 1 January 2024 to 30 June 2024
“RMB”	Renminbi, the lawful currency of the PRC
“RPG”	role-playing games
“Scheme Rules”	the rules of the Share Award Scheme, as amended from time to time
“Selected Participant(s)”	Eligible Participant(s) selected by the Board pursuant to the Scheme Rules who holds a subsisting Award
“Senior Management”	senior management of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) in the issued capital of the Company with nominal value of US\$0.00001 each
“Shareholder(s)”	holder(s) of the Shares
“Share Award Scheme”	the share award scheme adopted by the Company on the Adoption Date (in its present or any amended form)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	the company(ies) which are for the time being and from time to time the subsidiary(ies) (within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Listing Rules) of the Company, whether incorporated in Hong Kong, the British Virgin Islands, the PRC or elsewhere
“Taiwan”	Taiwan Province of the PRC
“TapTap”	a game platform developed and operated by TapTap Network (易玩網絡) (official website address: <a href="http://www.taptap.com">www.taptap.com</a> ), which creates a mobile game sharing community and a third-party game download platform that closely connects gamers, developers, and operators. Users can download games, evaluate them, and share gaming experiences with other players on this platform
“Trust”	the trust constituted by the Trust Deed
“Trust Deed”	a trust deed entered into by and among the Company, the Trustee and its nominee (as restated, supplemented and amended from time to time)
“Trustee”	the trustee which has been appointed by the Company to manage the Share Award Scheme
“%”	per cent

# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Jiang Xiaohuang (*Chairman of the Board and CEO*)  
Mr. Xu Lin  
Mr. Sun Bo

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhu Wei  
Mr. Zhang Jinsong  
Ms. Tang Haiyan

## MEMBERS OF AUDIT COMMITTEE

Mr. Zhu Wei (*Chairman*)  
Mr. Zhang Jinsong  
Ms. Tang Haiyan

## MEMBERS OF REMUNERATION COMMITTEE

Mr. Zhang Jinsong (*Chairman*)  
Mr. Zhu Wei  
Mr. Jiang Xiaohuang

## MEMBERS OF NOMINATION COMMITTEE

Mr. Jiang Xiaohuang (*Chairman*)  
Mr. Zhang Jinsong  
Mr. Zhu Wei

## COMPANY SECRETARY

Ms. Fung Wai Sum

## AUTHORISED REPRESENTATIVES

Mr. Jiang Xiaohuang  
Ms. Fung Wai Sum

## REGISTERED OFFICE

Campbells Corporate Services Limited  
Floor 4, Willow House, Cricket Square  
Grand Cayman KY1-9010  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

FriendTimes Building  
No. 68 Qitai Road  
Suzhou Industrial Park  
Jiangsu Province  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F., Manulife Place  
348 Kwun Tong Road, Kowloon  
Hong Kong

## COMPANY WEBSITE

[www.friendtimes.net](http://www.friendtimes.net)

## STOCK CODE

6820

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Campbells Corporate Services Limited  
Floor 4, Willow House, Cricket Square  
Grand Cayman KY1-9010  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

# Corporate Information

## HONG KONG LEGAL ADVISER

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

## PRINCIPAL BANKS

China Construction Bank Suzhou Branch  
Jianyuan Building, No. 18 Suzhou Avenue  
Suzhou Industrial Park  
Suzhou, Jiangsu Province  
PRC

The Hongkong and Shanghai Banking Corporation Limited  
6/F, 88 Gloucester Road, Wan Chai, Hong Kong

## AUDITOR

KPMG  
Public Interest Entity Auditor registered in accordance with the  
Accounting and Financial Reporting Council Ordinance  
Certified Public Accountants  
8th Floor, Prince's Building  
10 Chater Road  
Central  
Hong Kong

# Financial Summary

The following is a summary of the results of the Group:

## RESULTS

	For the six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Revenue	526,072	620,342
Gross profit	360,287	412,614
Loss for the period	(72,328)	(80,944)

## ASSETS, LIABILITIES AND EQUITY

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
	Total assets	1,377,134
Total liabilities	248,973	262,053
Total equity	1,128,161	1,203,562



# Management Discussion and Analysis

## OVERVIEW

As a leading mobile game developer, publisher and operator integrated with research and operation in the PRC, the Group has been focusing on content and quality of products, and is committed to creating timeless high-quality products for the world and becoming a global outstanding cultural and creative enterprise.

The Group is headquartered in Suzhou, China, with branches in regions including Shanghai, Wuxi, Chengdu and Hong Kong in China, and South Korea, and was listed on the Main Board of the Stock Exchange on 8 October 2019. Since our inception in 2010, we have successfully launched core female-oriented products such as the Legend of Empress (熹妃傳), Royal Chaos (熹妃Q傳), Fate of the Empress (浮生為卿歌), Promise of Lingyun (凌雲諾), Twist of the Fate (浮生憶玲瓏), and others, which are well received among users. In 2024, we achieved exploratory breakthroughs in the male-oriented games, with the Ink Sword: Jianghu (墨劍江湖) successfully launched as a Chinese-style martial arts game.

As a key national cultural export enterprise and a pioneer in the segment of ancient Chinese-style female-oriented games, the Group keeps a professional global distribution and operation team. While consolidating the leading position in the domestic female market, we are also actively exploring the domain of male-oriented, general-user and mini games, as well as overseas markets. We continue to adhere to the corporate cultural mission of “Let Culture Create Values”, and are committed to spreading excellent traditional Chinese culture to a wider group and region, so as to build a carrier for global outstanding cultural exchanges, promote cultural inheritance and heritage, constantly explore cultural values, and shape a more profound influence of culture.

## PERFORMANCE REVIEW

For the six months ended 30 June 2024, the total revenue of the Group was approximately RMB526.1 million, representing a decrease of 15.2% as compared to the corresponding period in 2023, as well as a quarter-to-quarter increase of 20.7% from the second half of 2023. Net loss for the period was approximately RMB72.3 million, and narrowed by 10.6% as compared to the corresponding period in 2023.

The quarter-to-quarter growth in revenue of the Group during the Reporting Period was mainly due to the following reasons: (1) the domestic Simplified Chinese version of the game Twist of the Fate (浮生憶玲瓏) was launched on 2 January 2024, which was subsequently launched in Hong Kong, Macau and Taiwan of the PRC, as well as South Korea on 21 March and 27 June 2024, respectively; and (2) the revenue increment brought by the launch of the mini-game, Promise of Lingyun (凌雲諾), which cash inflow exceeded RMB10 million for consecutive months.

# Management Discussion and Analysis

The net loss of the Group during the Reporting Period was mainly due to the following reasons: (1) the normal fall-off in underlying revenue from old games as they proceed with their lifecycle; and (2) significant marketing expenses incurred during the launch of new games.

## BUSINESS REVIEW

The Group has consistently adhered to the strategy of “quality, diversification, and globalization”. Besides gaining insight into multiple levels of customer requirements, the Group continued to deepen the development of our core competitive areas, while constantly exploring creative breakthroughs. Amid our expansion of various user demographics, we continued to improve our diversified product pipeline, and identified new market increments. Furthermore, we refined gameplay design, scenario special effects, artistic quality, music effects, and other details for our products, by continuing investments in product optimization and iteration, while creating a variety of themed products, including ancient-style heroines, ancient detective stories, Xianxia (a fantasy of Chinese mythology and martial arts), classic martial arts, modern Chinese style, modern workplace, casual esports games, and other products for general users.

The Group continues to enhance its independent research and development and innovation capabilities, while closely monitoring the development of cutting-edge technologies such as AIGC, so as to accelerate the implementation of research strategies for such technologies. By continuing to explore the industrial AI+ application of games, and identifying possibilities of deep integration of various cutting-edge technologies across industries into the Company’s business for the instrumentation and modularization, the Group will effectively empower various stages such as project planning, content design, development testing, distribution & operation, and advertising & user acquisition, thereby enhancing efficiency at lower costs. In addition, several of the Group’s games have completed the development of native apps for Huawei’s HarmonyOS, officially joining the Harmony ecosystem to explore the collaboration on more technological application scenarios.

The Group has consistently persisted in the long-term operational strategy, whereby taking an active approach to gauge user requirements, so that players are provided with detailed and comprehensive long-term services through high-frequency iterations, content updating, operational activities, and IP collaborations. Such strategy will continue to extend the product lifecycle, and stimulate product vitality. In the meantime, we tailor differentiated and localized game contents and marketing materials for overseas users in various regions, so as to better attract and retain local players. In addition to achieving excellent performance and reputation domestically, many of our products are also highly acclaimed in Hong Kong, Macau, and Taiwan of the PRC, South Korea, Japan, Southeast Asia, and North America. As a result, the Group’s products, including the Legend of Empress (熹妃傳), Royal Chaos (熹妃Q傳), Fate of the Empress (浮生為卿歌), and Promise of Lingyun (凌雲諾), have maintained a satisfying cash inflow performance throughout the years they have been online.

# Management Discussion and Analysis

## Twist of the Fate (浮生憶玲瓏)

The Twist of the Fate (浮生憶玲瓏), being a love and mystery themed ancient-style mobile game launched for public beta on 2 January 2024, is the flagship female-oriented product of the Group in relation to ancient Chinese culture, which builds an open world with “Love & Mystery” for players through a series of gameplay modes such as deciphering clues, collecting adventures, and unlocking multiple identities. The game not only enriches the product design with traditional cultural elements, but also further enhances the creation of aesthetic conceptions, tracing back through scenery to a millennium of Chinese culture, while exploring the charm of the Jiangnan water towns. The Twist of the Fate (浮生憶玲瓏) is endorsed by the ancient costume icon Mr. Luo Yunxi, and has been added to the front-page recommendations from major channels, including Apple App Store and Huawei App Market, entering the Top 50 of the iOS games bestseller list in mainland China. On 21 March and 27 June 2024, the Twist of the Fate (浮生憶玲瓏) officially launched in Hong Kong, Macau, and Taiwan of the PRC, and South Korea respectively.

During the Reporting Period, the Twist of the Fate (浮生憶玲瓏) partnered with the China Academy of Art to embark on a “Jiangnan Aesthetics” research project, which resulted in the creation of the Jiangnan lantern “Linglong Lantern”, and the Chinese-style headpiece, “Linglong Hairpin”. In addition, the Twist of the Fate (浮生憶玲瓏) has developed a cultural and tourism plan for Suzhou and Hangzhou, including a new Chinese-style Jiangnan afternoon tea, “Linglong Feast”, in collaboration with West Lake (西湖) in Hangzhou, and romantic lantern festival activities for Valentine’s Day and Lantern Festival in collaboration with the Suzhou Qilishantang (七里山塘) Scenic Area. Furthermore, the game teamed up with the Zhuyun milk tea brand “Brown Smoke and Rain” (茶色煙雨) to launch a co-branded milk tea “Linglong Cup”, and added a “Brown Smoke and Rain Stall” site on Bianjing Street in the game. Furthermore, its co-creation of a “Linglong” jewelry with the national jewelry brand “Zhou Liu Fu” (周六福) merges ancient gold craftsmanship with aesthetic elements to break down barriers between game and reality. On 2 July 2024, the Twist of the Fate (浮生憶玲瓏) launched the brand collaboration event “Nomadic Life to the End of the Moon” (月燼浮生) with the ancient-style Xianxia drama Till the End of the Moon (長月燼明), which stars the game ambassador Mr. Luo Yunxi.

## The Fate of the Empress (浮生為卿歌)

The Fate of the Empress (浮生為卿歌) was officially launched on 31 December 2019, being the flagship female-oriented product of the Group in relation to ancient Chinese culture. Besides mainland China, the game was launched in various regions including Hong Kong, Macau, and Taiwan of the PRC, South Korea, Japan, North America, and Southeast Asia, and selected as one of the “National Cultural Export Key Projects” and one of the “International Cooperation Key Projects in the Cultural Tourism Industry” by the Ministry of Culture and Tourism under the “Belt and Road” Initiative. During the Reporting Period, we continued to launch innovative gameplays such as large-scale battle events, cross-server romantic adventures, and the Prestige Family’s “Alliance Saga” (世家「聯盟風雲錄」), to enrich game contents that will satisfy players’ gaming experiences. In addition, on 24 July 2024, the Fate of the Empress (浮生為卿歌) initiated brand collaboration events with the blockbuster TV drama Lost You Forever (長相思), which stars Andy Yang (楊紫), Zhang Wanyi (張晚意), Deng Wei (鄧為), JC-T (檀健次), and Wang Hongyi (王弘毅).

## Mini Games

As for the mini game market, characterized by convenient access, fragmented gameplay, and lightweight experience, such games provide players with a lighter gaming style, meeting their multi-level entertainment needs, while helping the Group identify new user bases. During the Reporting Period, the Group continued to launch high-quality app games, while actively responding to the development trend of the mini game market by releasing multiple mini game products, among which the Promise of Lingyun (凌雲諾) and A Story of Lala’s: Rising Star (杜拉拉升職記) delivered outstanding performances.

# Management Discussion and Analysis

## GAMES RELEASED RECENTLY

### **Ink Sword: Jianghu (墨劍江湖)**

Launched on 19 July 2024, the Ink Sword: Jianghu (墨劍江湖) is a mobile game which focuses on a poetic quest for martial arts, and a 2.5D ink-wash style RPG game set in a Chinese-style fictional universe, featuring the classic wuxia (武俠) as its core. Built on various martial arts genres, the game cleverly integrates chivalry, passion, and the mysterious realm of martial arts, aiming to create a world of adventure, retribution, and heroism.

Employing meticulous fine-brush and freehand painting techniques to depict landscapes, town scenes and character imagery, the Ink Sword: Jianghu (墨劍江湖) deeply integrates the essence of traditional martial arts with modern game aesthetics, and showcases grand and expansive combat moves with ink wash effects. The game features six major sects and over ten martial arts styles, including machates & swords, fists & palms, discreet weapons, and spears & staffs, allowing players to swagger around the realm of martial arts by freely combining and creating their own unparalleled martial arts. At the same time, the unique weather system and time-of-day transitions enhance the game's immersive and realistic experience.

The Ink Sword: Jianghu (墨劍江湖) entered the Top 50 iOS Best-selling Games in Mainland China after its launch, gaining rapid recognition across major distribution channels. It reached Top 1 on the Vivo and Xiaomi Soaring Lists, and Top 2 on the TapTap New Product List, and received recommendations from the Apple App Store game page and TapTap Today's Game, with overall performance exceeding expectations. In July 2024, the Ink Sword: Jianghu (墨劍江湖) officially announced a collaboration campaign with Mount Emei Scenic Area, seamlessly infusing the martial arts ambiance of the game into the breathtaking landscapes of the real world. Together, they embark on an in-depth dialogue between the world of martial arts and nature.

## GAME RESERVE

### **Culinary Chaos (暴吵萌廚)**

The Culinary Chaos (暴吵萌廚), which secured its game version number in June 2024, is a real-time esports game focuses on multiplayer cooperation. Simulating the entire cooking process, the game features various mechanisms and events that create stylish and entertaining levels. By fostering a sense of camaraderie among players, the game allows them to experience a lively and cheerful party atmosphere. Culinary Chaos (暴吵萌廚) conducted a new round of testing in August 2024 and is currently undergoing continuous optimization.

### **Mini Games**

The Group has initiated a number of Mini Game projects in various types and styles to create a more diversified and creative product portfolio, while actively exploring multiple distribution channels. In particular, Mini Games, including A Story of Lala's: Rising Star (杜拉拉升職記), Code: Relics (代號：遺跡), Code: Pet Pals (代號：萌寵), and Code: Island (代號：海島), are currently undergoing testing and promotion, among which A Story of Lala's: Rising Star (杜拉拉升職記) has been successfully included in the Top 100 best-selling list of WeChat mini-games as of the date of this report.

# Management Discussion and Analysis

## SOCIAL RESPONSIBILITIES

The Group actively fulfills its corporate social responsibility by integrating the environmental, social, and governance (“ESG”) issues into its entire corporate management framework, while striving to build a healthy and harmonious online and offline ecosystem through charity activities. The Group actively responds to national environmental policies related to carbon neutrality, energy conservation, and waste reduction, by promoting sustainable development practices within the Company. In addition to establishing the ESG policies and procedures, the Group actively promotes the participation of our products and platforms, while integrating the sustainability concept into our daily operational management to enhance the environmental awareness among our employees and achieve long-term prosperity for its business development.

By consistently taking practical actions in areas such as education assistance, animal rescue, “red culture education”, environmental protection, and epidemic prevention and control, the Group continues to fulfill its social responsibility and mission, demonstrating and delivering a message of love in public welfare. At the same time, the Group has established systems for network content security, data security, and account management. As for user privacy protection, under stringent management systems and procedural frameworks, we exercise rigorous control over information security risks, and strictly align with relevant laws and regulations in all operating regions globally, thereby safeguarding data security, while maximally securing user personal information.

In respect of the protection of minors, the Group strictly complies with relevant national policies, connects all of its games to a comprehensive system encompassing real-name authentication, anti-addiction procedures, and age-appropriate reminders, imposes restrictions on underage spending, and operates a parental guardianship project with a dedicated channel for complaints from minors. To strictly enforce the new regulations on preventing addiction among minors issued by the National Press and Publication Administration, we only offer 1 hour of online gaming services to minors from 8 pm to 9 pm on Fridays, Saturdays, Sundays, and statutory holidays, ensuring the healthy growth of minors.

## OUTLOOK

During the year, the Group achieved significant breakthroughs in both the male-oriented game and mini-game markets, enhancing the construction of a diversified product matrix, which has fully validated our research and development prowess and innovation capabilities. Looking ahead to the second half of the year, we will continue to strengthen our research, development and operation capabilities, while expanding our distribution channels, all of which are aimed at achieving long-term performance growth. In the future, the Group will continue to advance the integrated research and development and operations strategy, leveraging new technologies such as AIGC to complete the industrialization of gaming, deepen our diversified product portfolio, and improve the long-term operational capabilities of games. We will pursue the work of effective iteration and improvement in management systems and assessment mechanisms, optimize personnel structure, rationally allocate human resources, establish multi-level compensation systems, improve cost control and efficiency enhancement. Besides being committed to a global development strategy, we will fully push forward with the product strategies of gaming localization and overseas customization.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2024, the Group recorded revenue of approximately RMB526.1 million, representing a decrease of approximately RMB94.2 million or approximately 15.2% from approximately RMB620.3 million for the corresponding period in 2023. This was mainly due to the normal fall-off in revenue from old games and the less-than-expected increment in the revenue from new products.

### Revenue from games by activity

The table below sets forth a breakdown of revenue by activity, shown in actual amounts and as percentages to total revenue for the periods indicated:

	Six months ended 30 June				Period to period change %
	2024		2023		
	RMB'000	%	RMB'000	%	
Revenue from games	525,607	99.91%	620,061	99.95%	-15.23%
Others	465	0.09%	281	0.05%	65.38%
Revenue	526,072	100.00%	620,342	100.00%	-15.20%

### Revenue from games by geographic markets

The table below sets forth a breakdown of revenue from games by geographic markets in absolute amounts and as percentages to our total revenue from games for the periods indicated:

	Six months ended 30 June				Period to period change %
	2024		2023		
	RMB'000	%	RMB'000	%	
Domestic market	396,209	75.4%	442,479	71.4%	-10.46%
Overseas market	129,398	24.6%	177,582	28.6%	-27.13%
Revenue from games	525,607	100.0%	620,061	100.0%	-15.23%

# Management Discussion and Analysis

## Cost of sales

The Group's cost of sales decreased by 20.2% from approximately RMB207.7 million for the six months ended 30 June 2023 to approximately RMB165.8 million for the six months ended 30 June 2024, which was mainly due to a reduction in game distribution costs resulting from the decrease in the Group's revenue.

## Gross profit and gross profit margin

As a result of the above, gross profit decreased by 12.7% from approximately RMB412.6 million for the six months ended 30 June 2023 to approximately RMB360.3 million for the six months ended 30 June 2024. Gross profit margin increased from approximately 66.5% for the six months ended 30 June 2023 to approximately 68.5% for the six months ended 30 June 2024, which was mainly due to the increase in the proportion of sales from our high-margin channels.

## Sales and marketing expenses

For the six months ended 30 June 2024, the Group's sales and marketing expenses amounted to approximately RMB287.3 million, representing an increase of RMB11.2 million or approximately 4.1% from approximately RMB276.1 million for the six months ended 30 June 2023, which was mainly due to higher centralized-promotion expenses incurred in the initial stage upon the launch of the Twist of the Fate (浮生憶玲瓏), a new product.

## Research and development expenses

For the six months ended 30 June 2024, the Group's research and development expenses amounted to approximately RMB152.8 million, representing a decrease of RMB7.2 million or approximately 4.5% from approximately RMB160.0 million for the six months ended 30 June 2023, which was mainly due to (1) the reduction of the sound and animation expenses and (2) the decrease in the share-based remuneration expenses of research and development personnels.

## General and administrative expenses

For the six months ended 30 June 2024, the Group's administrative expenses amounted to approximately RMB18.1 million, representing a decrease of RMB6.9 million or approximately 27.5% from approximately RMB25.0 million for the six months ended 30 June 2023, which was mainly due to (1) the decrease in consulting service fees, (2) the decrease in personnel related expenses, and (3) the decrease in share-based remuneration expenses of administrative and management personnels.

## Finance costs

For the six months ended 30 June 2024, the Group's finance costs amounted to approximately RMB1.7 million, representing an increase of RMB1.5 million from approximately RMB0.2 million for the six months ended 30 June 2023, which was mainly affected by the increase in financing costs.

## Income tax expense

For the six months ended 30 June 2024, the Group recorded an income tax expense amounted to approximately RMB3.1 million, representing a decrease of RMB61.3 million from the income tax expense of approximately RMB64.4 million for the six months ended 30 June 2023, mainly due to the impact of the reversal of deferred tax assets in respect of the expected tax losses in the prior period.

## Loss for the period

For the six months ended 30 June 2024, our loss for the period amounted to approximately RMB72.3 million, representing a decrease of approximately RMB8.6 million or approximately 10.6% from approximately RMB80.9 million for the six months ended 30 June 2023.

# Management Discussion and Analysis

## Liquidity and capital resources

As at 30 June 2024, the Group's current liabilities/net assets amounted to approximately 0.22 (31 December 2023: 0.21).

As at 30 June 2024, the Group's cash and cash equivalents amounted to approximately RMB452.7 million. The Group monitors and maintains cash and cash equivalents to a level that management believes to be sufficient to meet the Group's operating needs.

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Net cash used in operating activities	(116,276)	(42,997)
Net cash generated from investing activities	163,936	216,707
Net cash generated from/(used in) financing activities	8,660	(78,935)
<b>Net change in cash and cash equivalents</b>	<b>56,320</b>	<b>94,775</b>
Cash and cash equivalents as at the beginning of the period	396,216	403,942
Effect of foreign exchange rate changes	168	719
<b>Cash and cash equivalents as at 30 June</b>	<b>452,704</b>	<b>499,436</b>

## Operating activities

During the six months ended 30 June 2024, net cash flow used in operating activities of the Group was RMB116.3 million.

## Investing activities

For the six months ended 30 June 2024, the Group's net cash generated from investing activities was RMB163.9 million, which primarily consisted of (i) proceeds from redemption of investments measured at fair value through profit or loss of RMB616.5 million; (ii) payment for purchase of investments measured at fair value through profit or loss of RMB408.7 million.

## Financing activities

For the six months ended 30 June 2024, net cash generated from financing activities of the Group was RMB8.7 million, which mainly consisted of unsecured bank borrowings of RMB77.4 million and repayments of unsecured bank borrowings of RMB63.6 million; and for the six months ended 30 June 2023, net cash used in financing activities of the Group was RMB78.9 million.



# Management Discussion and Analysis

## Capital expenditures

The Group's capital expenditures mainly included (1) construction of our office building in Suzhou, purchase of property, plant and equipment such as servers and computer equipment; and (2) purchase of intangible assets such as copyrights of literary works used or to be used in our games, software and IP licenses, various office software. Capital expenditures for the six months ended 30 June 2024 and 30 June 2023 are set out below:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Property, plant and equipment	178	1,228
Intangible assets	1,526	106

## Gearing ratio

As at 30 June 2024, gearing ratio was 14.5% (31 December 2023: 12.3%). As at 30 June 2024, the Group had unsecured bank borrowings of RMB162.9 million (31 December 2023: RMB147.4 million).

## Contingent liabilities

As of 30 June 2024, the Group did not have any unrecorded significant contingent liabilities or any guarantees (31 December 2023: Nil).

## Employees and remuneration policies

As at 30 June 2024, the Group had a total of 875 employees (31 December 2023: 1,076 employees), all based in the PRC. The Group determined the remuneration policy for the employees based on their performance, work experience and the current market salary level. We did not experience any material labour disputes during the six months ended 30 June 2024.

## Restructuring and significant investments

During the six months ended 30 June 2024, the Group did not have any restructuring and significant investments.

# Management Discussion and Analysis

## Financial assets

- As of 30 June 2024, the Group's wealth management products were issued by listed commercial banks in China, including principal-protected floating return structured deposits and medium-to-low-risk non-principal-protected floating return net worth products.
- As of 30 June 2024, the wealth management products of the Group that have met the disclosable transaction requirements at the time of purchase under the Listing Rules were disclosed in relevant announcements. None of the remaining wealth management products had a fair value accounting for 5% or more of the Group's total assets.

Each of the following outstanding wealth management products had a percentage of over 5% to the Group's total assets as of 30 June 2024:

Subscription Date	Maturity Date	Product Name	Bank Name	Principal amount of subscription	Type of product and risk rating	Expected return rate	Investment scope of product	Fair value as of 30 June 2024 (RMB million)	Fair value relative size to total assets as of 30 June 2024
12 April 2024	8 October 2024	Structured Deposit	Suzhou Industrial Park branch of Bank of NingBo	RMB20 million	Principal-protected floating return and closed-end	1%~2.8%	Subject linked: EUR/USD	20.12	5.10%
10 May 2024	7 August 2024	Structured Deposit	Suzhou Industrial Park branch of Bank of NingBo	RMB20 million	Principal-protected floating return and closed-end	1%~2.8%	Subject linked: EUR/USD	20.08	
28 June 2024	25 September 2024	Structured Deposit	Suzhou Industrial Park branch of Bank of NingBo	RMB30 million	Principal-protected floating return and closed-end	1%~2.7%	Subject linked: EUR/USD	30.00	
22 April 2024	5 September 2024	Structured Deposit	Suzhou Chengzhong Sub-branch of China Construction Bank	RMB50 million	Principal-protected floating return and closed-end	1.05%~2.9%	Subject linked: EUR/USD	50.27	5.11%
19 June 2024	/	CCB Wealth Management "HuiZhong" (Ri Shen Zhou Shu) Open-end Net Worth RMB Financial Investment Product* (建信理財「惠眾」(日申周贖)開放式淨值型人民幣理財產品)	Suzhou Chengzhong Sub-branch of China Construction Bank	RMB10 million	Non-principal-protected floating return, R2	Performance benchmark A: 7-day notice deposit interest rate +1.25%	Invest in cash assets, money market instruments, money market funds, standardized fixed income assets and other regulatory-compliant assets	10.03	
16 July 2024	/	CCB Wealth Management "HuiZhong" (Ri Shen Yue Shu) Open-end Net Worth RMB Financial Investment Product* (建信理財「惠眾」(日申月贖)開放式淨值型人民幣理財產品)	Suzhou Chengzhong Sub-branch of China Construction Bank	RMB10 million	Non-principal-protected floating return, R2	Performance benchmark A: 7-day notice deposit interest rate +1.45% Performance benchmark B: 7-day notice deposit interest rate +1.95%	Invest in cash assets, money market instruments, money market funds, standardized fixed income assets and other regulatory-compliant assets	10.01	

# Management Discussion and Analysis

3. As of 30 June 2024, the Group's limited partnership investments were investments in six venture capital partnerships as a limited partner, with fair value at the time of investment not exceeding 5% of the Group's total assets.

As of 30 June 2024, the said five venture capital partnerships exceeded 5% or more of the Group's total assets:

Time of investments	Names of partnerships	Nature of funds	Fund manager	Size of funds	Amount of investments	Percentage of investments	Scope of investments	Fair value	Fair value
								as of 30 June 2024	relative size to total assets as of 30 June 2024
July 2020	Suzhou Yongxin Ronghui Venture Capital Partnership (LP.)* (蘇州永鑫融慧創業投資合夥企業(有限合夥))	Comprehensive fund	Suzhou Yongxin Ark Equity Investment Partnership (蘇州永鑫方舟股權投資管理合夥企業(普通合夥))	RMB278.3million	RMB30.0million	10.78%	Investing in innovative enterprises in their startup and growth stages through equity investment	51.8	7.25%
November 2021	Suzhou Yongxin Kaituo Venture Capital Partnership (LP.)* (蘇州永鑫開拓創業投資合夥企業(有限合夥))	Comprehensive fund	Suzhou Yongxin Ark Equity Investment Partnership (蘇州永鑫方舟股權投資管理合夥企業(普通合夥))	RMB500.9million	RMB30.0million	5.99%	Investing in innovative enterprises in their growth-stage through equity investment	32.0	
November 2022	Suzhou Yongxin Rongchang Venture Capital Partnership (LP.)* (蘇州永鑫融暢創業投資合夥企業(有限合夥))	Specialized fund	Suzhou Yongxin Ark Equity Investment Partnership (蘇州永鑫方舟股權投資管理合夥企業(普通合夥))	RMB76.3 million	RMB5.0 million	6.55%	Investing through equity investment in the growth-oriented enterprises with core competitive advantages and potential for listing	6.0	
July 2023	Suzhou Yongxin Rongyao Venture Capital Partnership (LP.)* (蘇州永鑫融耀創業投資合夥企業(有限合夥))	Comprehensive fund	Suzhou Yongxin Ark Equity Investment Partnership (蘇州永鑫方舟股權投資管理合夥企業(普通合夥))	RMB600.0 million	RMB5.0 million	0.83%	Investing in innovative enterprises focusing on pan-intelligent manufacturing industry related areas in their growth-stage through equity investment	5.0	
July 2023	Suzhou Yongxin Rongke Venture Capital Partnership (LP.)* (蘇州永鑫融科創業投資合夥企業(有限合夥))	Specialized fund	Suzhou Yongxin Ark Equity Investment Partnership (蘇州永鑫方舟股權投資管理合夥企業(普通合夥))	RMB52.1million	RMB5.0 million	9.60%	Investing through equity investment in the growth-oriented enterprises with core competitive advantages and potential for listing	5.0	

# Management Discussion and Analysis

4. As of 30 June 2024, the Group's stock investments were all stock investments with an active stock market, and the fair value of stock investments did not exceed 5% or more of the Group's total assets.
5. As of 30 June 2024, the Group's investments in monetary funds referred to low-risk products in the securities investment funds, the fair value of which did not exceed 5% or more of the Group's total assets.
6. The Company has formulated standardized capital and investment management policies to monitor and control potential risks related to investment activities. When considering whether to invest and what kind of products to invest in, the management will consider, among other things, the risk level, investment return, liquidity and maturity of the relevant wealth management products on a case-by-case basis. Our investment portfolio and policies are regularly reviewed by our Directors and management team.

## Material acquisitions and disposals of assets

During the six months ended 30 June 2024 and up to the date of this report, there were no material acquisitions and disposals of assets.

## Off-balance sheet arrangements

The Group has not entered into and has no intention to enter into any off-balance sheet arrangements. The Group has not entered into any financial guarantees or made other commitments to guarantee the payment obligations of any third parties.

## Pledge of assets by the Group

As at 30 June 2024, the Group did not pledge any assets as collateral for bank borrowings or any other financing activities (31 December 2023: no assets were pledged).

## Foreign currency exchange risks

For the six months ended 30 June 2024, most of transactions denominated in non-RMB were denominated in U.S. dollars and Hong Kong dollars. The management team closely monitors foreign currency exchange risks to ensure that appropriate measures are implemented in a timely and effective manner. In the past, 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.

## Event after the Reporting Period

Eternal Heart Holdings Limited ("**Eternal Heart**") purchased an aggregate of 4,086,000 Shares of the Company in the open market from 12 July to 18 July 2024 (the "**Share Purchase**"), representing approximately 0.19% of the total issued share capital of the Company as at the date of this report. Immediately after the Share Purchase, the number of Shares held by Eternal Heart increased from 937,688,116 Shares to 941,774,116 Shares; and the shareholding in the Company held by Mr. Jiang Xiaohuang increased from 1,282,516,500 Shares to 1,286,602,500 Shares, representing approximately 59.00% of the total issued share capital of the Company as at the date of this report.

# Other Information

## COMPLIANCE WITH THE CG CODE

The Company has adopted the code provisions set out in the CG Code as its own corporate governance framework. The Company complied with the code provisions as set out in the CG Code for the six months ended 30 June 2024, save for the deviations from code provision C.2.1 as disclosed below.

Under code provision C.2.1 of the CG Code, the roles of chairman and the chief executive officer should be separated and should not be performed by the same individual.

Mr. Jiang Xiaohuang is the chairman of the Board and CEO of the Company currently. Due to Mr. Jiang's background, qualifications and experiences in the Company, he is considered to be the best candidate for both roles at present. The Board considers that Mr. Jiang's dual role at this stage is conducive to maintaining the continuity of the Company's policies and the operation efficiency and stability of the Company, which is appropriate and in the best interest of the Company and Shareholders.

Besides, all major decisions of the Company have been made in consultation with members of the Board and appropriate committees, as well as the Senior Management. In addition, Directors are encouraged to participate actively in all meetings of the Board and of such Board committees of which they are members, and the Chairman ensures that all issues raised are properly briefed at the Board meetings, and he works with the Senior Management to provide adequate, accurate, clear, complete and reliable information to all members of the Board in a timely manner. Further, the Board meets with Mr. Jiang regularly to discuss issues relating to the operation of the Group.

The Board is therefore of the view that there is an adequate balance of power and that appropriate safeguards are in place. Mr. Jiang holding both positions of the chairman of the Board and CEO of the Company will not have any impact on the balance between power and authority of the Board and the Senior Management. However, the Board will continue to regularly monitor and review the Company's current structure and to make necessary changes when appropriate.

## COMPLIANCE WITH THE MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as its code of conduct regarding securities transactions by Directors. The Company has made specified enquiry with all the Directors, and each of them has confirmed that during the six months ended 30 June 2024, they have always complied with the required standards contained in the Model Code.

The Company has also established employee stock trading regulations on terms no less exacting than the Model Code for employees who are likely to be in possession of unpublished price-sensitive data of the Company. No incident of non-compliance of the employee stock trading regulations by the employees was noted by the Company.

## INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024.

# Other Information

## AUDIT COMMITTEE

Our Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The members of the Audit Committee are Mr. Zhu Wei, Mr. Zhang Jinsong and Ms. Tang Haiyan, all of whom are independent non-executive Directors. Mr. Zhu Wei is the chairman of the Audit Committee. The primary duties of the Audit Committee are to make recommendations to our Board on the appointment, re-appointment and removal of external auditors; review the financial statements; provide material advice in respect of our financial reporting process; oversee our internal control and risk management systems and audit process; and provide advice and comment to our Board on matters related to corporate governance.

The Audit Committee has reviewed and discussed the Group's unaudited consolidated interim financial statements for the six months ended 30 June 2024 and has met with the Auditor who has reviewed the interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

## CHANGE IN INFORMATION OF DIRECTORS

There was no change to any information required to be disclosed in relation to any Director pursuant to Rule 13.51B(1) of the Listing Rules during the six months ended 30 June 2024.

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

During the six months ended 30 June 2024 and up to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed the listed securities of the Company (or sale of treasury shares (as defined under the Listing Rules), if any).

As at 30 June, 2024, the Company did not hold any treasury shares (as defined under the Listing Rules).

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, at least 25% of the Company's total number of issued Shares were held by the public at all time since the Listing Date.

# Other Information

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

As at 30 June 2024, the interests or short positions of the Directors and chief executives 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/she 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 herein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in Shares or underlying Shares of the Company as at 30 June 2024			
Name	Capacity/Nature of interest	Number of Shares held/ interested	Approximate percentage of interest <sup>(2)</sup>
Mr. Jiang Xiaohuang <sup>(3)(4)(5)(6)</sup>	Interest of a controlled corporation/ Founder of a discretionary trust	1,282,516,500 (L) <sup>(1)</sup>	58.81%
Mr. Xu Lin <sup>(7)</sup>	Interest of a controlled corporation	7,141,974 (L) <sup>(1)</sup>	0.33%
	Beneficial owner	1,776,000 (L) <sup>(1)</sup>	0.08%
Mr. Sun Bo <sup>(8)(9)</sup>	Interest of a controlled corporation	3,570,987 (L) <sup>(1)</sup>	0.16%
	Beneficial owner	1,650,000 (L) <sup>(1)</sup>	0.08%
	Person having a right to require delivery of the underlying Shares	502,000 (S) <sup>(1)</sup>	0.02%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares of the Company. The letter "S" denotes the person's short position in the Shares of the Company.
- (2) The calculation is based on the total number of 2,180,850,000 Shares in issue as at 30 June 2024.
- (3) 937,688,116 Shares are registered under the name of Eternal Heart Holdings Limited, the issued share capital of which is owned as to 100% by Gorgeous Sunshine Holding Limited, which is in turn the holding vehicle wholly-owned by TMF (Cayman) Ltd., the trustee of Jiang Family Trust. Jiang Family Trust is a discretionary trust established by Mr. Jiang as the settlor and protector. Accordingly, Mr. Jiang is deemed to be interested in the Shares held by Eternal Heart Holdings Limited for the purpose of Part XV of the SFO.
- (4) 90,500,000 Shares are registered under the name of Ling Long Holdings Limited, the issued share capital of which is owned as to 100% by Gorgeous Sunshine Holding Limited, which is in turn the holding vehicle wholly-owned by TMF (Cayman) Ltd., the trustee of Jiang Family Trust. Jiang Family Trust is a discretionary trust established by Mr. Jiang as the settlor and protector. Accordingly, Mr. Jiang is deemed to be interested in the Shares held by Ling Long Holdings Limited for the purpose of Part XV of the SFO.
- (5) 189,754,000 Shares are registered under the name of Warm Sunshine Holdings Limited, the issued share capital of which is owned as to 100% by Future Wisdom Holdings Limited, which is in turn wholly-owned by Mr. Jiang. Accordingly, Mr. Jiang is deemed to be interested in the Shares held by Warm Sunshine Holdings Limited for the purpose of Part XV of the SFO.

# Other Information

- (6) 64,574,384 Shares are registered under the name of Purple Crystal Holdings Limited, the issued share capital of which is owned as to 100% by Purple Dream Holdings Limited, which is in turn owned as to 35.85% by Agile Eagle Holdings Limited. Agile Eagle Holdings Limited is wholly-owned by Mr. Jiang. Accordingly, Mr. Jiang is deemed to be interested in the Shares held by Purple Crystal Holdings Limited for the purpose of Part XV of the SFO.
- (7) 7,141,974 Shares are registered under the name of Purple Crystal Holdings Limited, the issued share capital of which is owned as to 100% by Purple Dream Holdings Limited, which is in turn owned as to 4.94% by Mr. Xu. Accordingly, Mr. Xu is deemed to be interested in the Shares held by Purple Crystal Holdings Limited for the purpose of Part XV of the SFO.
- (8) 3,570,987 Shares are registered under the name of Purple Crystal Holdings Limited, the issued share capital of which is owned as to 100% by Purple Dream Holdings Limited, which is in turn owned as to 2.47% by Mr. Sun. Accordingly, Mr. Sun is deemed to be interested in the Shares held by Purple Crystal Holdings Limited for the purpose of Part XV of the SFO.
- (9) Pursuant to the Share Award Scheme, Mr. Sun was granted 502,000 Awarded Shares on 31 January 2021.

Save as disclosed above, as at 30 June 2024, none of the Directors nor the chief executives of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; or to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO.

## ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2024 was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.



# Other Information

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

As at 30 June 2024, to the best knowledge of the Company and the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests in Shares or underlying Shares of the Company as at 30 June 2024			
Name	Capacity/Nature of interest	Number of Shares held/ interested	Approximate percentage of interest <sup>(2)</sup>
Mr. Jiang Xiaohuang <sup>(3)(4)(5)</sup>	Interest of a controlled corporation/ Founder of a discretionary trust	1,282,516,500 (L) <sup>(1)</sup>	58.81%
Ms. Mao Yuyan <sup>(6)</sup>	Interest of spouse	1,282,516,500 (L) <sup>(1)</sup>	58.81%
TMF (Cayman) Ltd. <sup>(3)</sup>	Trustee of a trust	1,028,188,116 (L) <sup>(1)</sup>	47.15%
Gorgeous Sunshine Holding Limited <sup>(3)</sup>	Interest of a controlled corporation	1,028,188,116 (L) <sup>(1)</sup>	47.15%
Eternal Heart Holdings Limited	Beneficial owner	937,688,116 (L) <sup>(1)</sup>	43.00%
Ling Long Holdings Limited	Beneficial owner	90,500,000 (L) <sup>(1)</sup>	4.15%
Future Wisdom Holdings Limited <sup>(4)</sup>	Interest of a controlled corporation	189,754,000 (L) <sup>(1)</sup>	8.70%
Warm Sunshine Holdings Limited	Beneficial owner	189,754,000 (L) <sup>(1)</sup>	8.70%
Agile Eagle Holdings Limited <sup>(5)</sup>	Interest of a controlled corporation	64,574,384 (L) <sup>(1)</sup>	2.96%
Purple Dream Holdings Limited <sup>(5)</sup>	Interest of a controlled corporation	64,574,384 (L) <sup>(1)</sup>	2.96%
Purple Crystal Holdings Limited	Beneficial owner	64,574,384 (L) <sup>(1)</sup>	2.96%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares of the Company.
- (2) The calculation is based on the total number of 2,180,850,000 Shares in issue as at 30 June 2024.
- (3) Eternal Heart Holdings Limited and Ling Long Holdings Limited are wholly-owned by Gorgeous Sunshine Holding Limited which is the holding vehicle wholly-owned by TMF (Cayman) Ltd., the trustee of Jiang Family Trust. Jiang Family Trust is a discretionary trust established by Mr. Jiang as the settlor and protector. Accordingly, each of Mr. Jiang, Gorgeous Sunshine Holding Limited and TMF (Cayman) Ltd. is deemed to be interested in the Shares held by Eternal Heart Holdings Limited and Ling Long Holdings Limited.
- (4) Warm Sunshine Holdings Limited is wholly-owned by Future Wisdom Holdings Limited which is in turn wholly-owned by Mr. Jiang. Accordingly, each of Mr. Jiang and Future Wisdom Holdings Limited is deemed to be interested in the Shares held by Warm Sunshine Holdings Limited.
- (5) Purple Crystal Holdings Limited is wholly-owned by Purple Dream Holdings Limited which is in turn owned as to 35.85% by Agile Eagle Holdings Limited which is wholly owned by Mr. Jiang. Accordingly, each of Mr. Jiang, Agile Eagle Holdings Limited and Purple Dream Holdings Limited is deemed to be interested in the Shares held by Purple Crystal Holdings Limited.
- (6) Ms. Mao Yuyan is the spouse of Mr. Jiang and therefore she is deemed to be interested in all the Shares held by Mr. Jiang by virtue of the SFO.

# Other Information

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

## SHARE AWARD SCHEME

The Board has approved the adoption of the Share Award Scheme of the Company on 14 September 2020.

### Objectives of the Share Award Scheme

1. to further improve the Group's incentive system, align the interests of certain Eligible Participants with the Group's interests and encourage them to create long-term value for the Group; and
2. to attract and motivate key professional talents to enhance the competitiveness and promote the sustainable development of the Group.

### Eligible Participants of the Share Award Scheme

Any Directors, senior and mid-level management, core technical personnel and key employees who, at the absolute discretion of the Board, will contribute or have contributed to any member of the Group.

### Administration of the Share Award Scheme

1. The Share Award Scheme is subject to the administration of the Scheme Rules and the terms of the Trust Deed (as the case may be);
2. The Board may, by passing ordinary resolutions, appoint any one or more senior management of the Company as Authorised Representative(s) (or form an advisory committee) to give instructions or notices to the Trustee on all matters in connection with the Share Award Scheme and other matters in the routine administration of the Trust; and
3. The Trustee will hold the Shares and the income derived therefrom in accordance with the Scheme Rules and subject to the terms of the Trust Deed.

# Other Information

## Sources of Awarded Shares of the Share Award Scheme

1. Mr. Jiang Xiaohuang, the controlling shareholder of the Company, indirectly transferred 80,000,000 Shares of the Company (representing approximately 3.7% of the issued Shares of the Company as of the date of this report) as a gift, at nil consideration, as the pool of Shares; and
2. As of 30 June 2024, a total of 76,020,000 Shares of the Company (representing approximately 3.5% of the issued Shares of the Company as of the date of this report) are purchased as the pool of Shares under the Share Award Scheme.

## Limit of the Share Award Scheme

The Board shall not make any further grant of award such that the total number of Shares granted under the Share Award Scheme will exceed 10 per cent. of the total number of issued Shares as of the Adoption Date.

If the relevant subscription or purchase would result in the Trustee holding in aggregate, more than 10% of the total number of issued Shares of the Company as of the Adoption Date, the Trustee shall not subscribe, purchase or accept any further Shares.

Save as prescribed in the Share Award Scheme or as otherwise restricted by the Listing Rules, for any 12-month period, the aggregate number of Shares granted to any Eligible Participant shall not exceed 1% of the total number of the issued Shares at the relevant time, without Shareholders' approval.

The Share Award Scheme has no service provider sublimit under Chapter 17 of the Listing Rules.

## Voting Rights

The Trustee shall not exercise the voting rights in respect of any Shares held under the Trust.

## Duration and Termination of the Share Award Scheme

The Share Award Scheme shall be effective from the Adoption Date and shall be terminated at the earlier of (i) the tenth anniversary from the Adoption Date; or (ii) the date of early termination determined by Authorised Representative(s) (or the advisory committee). The termination of this Share Award Scheme shall not cause any material and adverse effect to any existing rights of any Selected Participants under this Share Award Scheme.

As at 30 June 2024, the remaining life of the Share Award Scheme was approximately 6 years, provided that the Board may decide early termination in accordance with the relevant rules under the Share Award Scheme (which is amended from time to time).

# Other Information

## Implementation of the Share Award Scheme

1. On 14 September 2020, Mr. Jiang Xiaohuang, a controlling shareholder of the Company, decided to indirectly transfer an aggregate of 80,000,000 Shares of the Company as a gift within three years, at nil consideration, as the pool of Shares of the Share Award Scheme.
2. On 1 December 2020, Mr. Jiang Xiaohuang completed the first annual share contribution plan and indirectly transferred an aggregate of 40,000,000 Shares of the Company as a gift at nil consideration, as the pool of Shares of the Share Award Scheme.
3. On 28 December 2020, the Board, based on the recommendation of the Remuneration Committee of the Company, resolved to grant a total of 40,000,000 Awarded Shares, which have been held by the Trustee on behalf of the Selected Participants, at nil consideration to the share award grantees. The grant of Awarded Shares has been effective from 1 January 2021. The share award grantees include (1) Mr. Wu Jie, a former executive Director (awarded 2,000,000 Shares of the Company); (2) Mr. Sun Bo, an executive Director (awarded 2,000,000 Shares of the Company); and (3) employees of the Group (awarded 36,000,000 Shares of the Company). These Awarded Shares were granted as a gift at nil consideration with an exercise period ranging from 1 month to 49 months.
4. On 28 June 2021, Mr. Jiang Xiaohuang completed the second annual share contribution plan and indirectly transferred an aggregate of 20,000,000 Shares of the Company as a gift at nil consideration, as the pool of Shares of the Share Award Scheme.
5. On 4 January 2022, pursuant to the recommendation from the Remuneration Committee of the Company, the Board resolved to grant an aggregate of 16,000,000 Awarded Shares held by the Trustee on behalf of the Selected Participants at nil consideration to the share award grantees. The grant of Awarded Shares has been effective from 5 January 2022. The Share Award Grantees are employees (excluding the Directors) of the Group. These Awarded Shares were granted as a gift at nil consideration with an exercise period ranging from 1 month to 37 months.
6. On 22 July 2022, Mr. Jiang Xiaohuang completed the third annual share contribution plan and indirectly transferred an aggregate of 20,000,000 Shares of the Company at nil consideration as the pool of Shares of the Share Award Scheme. By that time, the three-year gift plan of Mr. Jiang Xiaohuang has been completed.
7. On 2 and 5 January 2023, the Board, based on the recommendation of the Remuneration Committee of the Company, resolved to grant 2,152,000 and 6,461,600 Awarded Shares respectively, which have been held by the Trustee on behalf of the Selected Participants, at nil consideration to the Share Award Grantees. The grant of Awarded Shares has been effective from 2 and 5 January 2023 respectively. The Share Award Grantees are employees (excluding the Directors) of the Group. These Awarded Shares were granted as a gift at nil consideration with an exercise period ranging from 1 month to 37 months.
8. As of 30 June 2024, a total of 76,020,000 Shares of the Company are purchased by the Trustee as the pool of Shares under the Share Award Scheme.

# Other Information

The number of Shares available for grant under the Share Award Scheme as at 31 December 2023 and 30 June 2024 was 100,763,000 and 113,973,000, representing approximately 4.6% and approximately 5.2% of the total number of Shares in issue as at 31 December 2023 and 30 June 2024, respectively.

Set out below are the details of the number of Awarded Shares granted and movements under the Share Award Scheme for the six months ended 30 June 2024:

Name or category of the participant	Date of grant	Vesting period	Purchase price	Unvested as at 31 December 2023	Number of Awarded Shares				Unvested as at 30 June 2024
					Granted during the period	Vested during the period	Lapsed during the period	Cancelled during the period	
<b>Director</b>									
Mr. Sun Bo	1 January 2021	1 January 2021 to 31 January 2024	nil <sup>(2)</sup>	400,000	–	–	(400,000)	–	–
		1 January 2021 to 31 January 2025	nil <sup>(2)</sup>	200,000	–	–	–	–	200,000
<b>Five highest paid individuals (excluding Directors) during the Reporting Period in aggregate</b>									
<b>In aggregate</b>	1 January 2021	1 January 2021 to 31 January 2024	nil <sup>(2)</sup>	1,200,000	–	–	(1,200,000)	–	–
		1 January 2021 to 31 January 2025	nil <sup>(2)</sup>	800,000	–	–	–	–	800,000
<b>In aggregate</b>	5 January 2022	5 January 2022 to 31 January 2024	nil <sup>(2)</sup>	1,000,000	–	–	(1,000,000)	–	–
		5 January 2022 to 31 January 2025	nil <sup>(2)</sup>	600,000	–	–	–	–	600,000
<b>In aggregate</b>	2 January 2023	2 January 2023 to 31 January 2024	nil <sup>(2)</sup>	100,000	–	(100,000) <sup>(1)</sup>	–	–	–
		2 January 2023 to 31 January 2025	nil <sup>(2)</sup>	100,000	–	–	(100,000)	–	–
		2 January 2023 to 31 January 2026	nil <sup>(2)</sup>	300,000	–	–	(300,000)	–	–

# Other Information

Name or category of the participant	Date of grant	Vesting period	Purchase price	Unvested as at 31 December 2023	Number of Awarded Shares				Unvested as at 30 June 2024
					Granted during the period	Vested during the period	Lapsed during the period	Cancelled during the period	
<b>Employee Participants</b>									
<b>In aggregate</b>	1 January 2021	1 January 2021 to 31 January 2024	nil <sup>(2)</sup>	5,217,600	–	(3,337,600) <sup>(1)</sup>	(1,880,000)	–	–
		1 January 2021 to 31 January 2025	nil <sup>(2)</sup>	3,238,800	–	–	–	–	3,238,800
<b>In aggregate</b>	5 January 2022	5 January 2022 to 31 January 2024	nil <sup>(2)</sup>	1,960,000	–	–	(1,960,000)	–	–
		5 January 2022 to 31 January 2025	nil <sup>(2)</sup>	1,000,000	–	–	–	–	1,000,000
<b>In aggregate</b>	2 January 2023	2 January 2023 to 31 January 2024	nil <sup>(2)</sup>	200,000	–	–	(200,000)	–	–
		2 January 2023 to 31 January 2025	nil <sup>(2)</sup>	300,000	–	–	–	–	300,000
<b>Total</b>				16,616,400	–	(3,437,600)	(7,040,000)	–	6,138,800

## Notes:

- (1) The weighted average closing price of the Shares immediately before the date on which the Awarded Shares were vested (i.e. 31 January 2024) during the Reporting Period was HK\$1.96.
- (2) As all the aforementioned Awarded Shares are donated by Mr. Jiang Xiaohuang, the Board has decided to grant the aforementioned Awarded Shares to the Eligible Participants at nil consideration.
- (3) In any 12-month period, there is no participant with Awarded Shares granted and to be granted in excess of the 1% individual limit, nor related entity participant or service provider with Awarded Shares granted and to be granted exceeding 0.1% of the relevant class of Shares in issue.

# Review Report



## Review report to the board of directors of FriendTimes Inc.

(Incorporated in Cayman Islands with limited liability)

### INTRODUCTION

We have reviewed the interim financial report set out on pages 31–52 which comprises the consolidated statement of financial position of FriendTimes Inc. as of 30 June 2024 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

#### KPMG

Certified Public Accountants  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong  
19 August 2024

# Consolidated Statement of Profit or Loss

for the six months ended 30 June 2024 — unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	4	526,072	620,342
Cost of sales		(165,785)	(207,728)
<b>Gross profit</b>		<b>360,287</b>	412,614
Other income	5	18,719	34,013
Sales and marketing expenses		(287,321)	(276,068)
Research and development expenses		(152,831)	(160,019)
General and administrative expenses		(18,108)	(24,977)
<b>Loss from operations</b>		<b>(79,254)</b>	(14,437)
Finance costs		(1,731)	(156)
Gain on disposal of interests in equity-accounted investee companies		5,000	–
Changes in fair value of financial assets measured at fair value through profit or loss		6,728	(1,977)
<b>Loss before taxation</b>	6	<b>(69,257)</b>	(16,570)
Income tax	7(a)	(3,071)	(64,374)
<b>Loss for the period</b>		<b>(72,328)</b>	(80,944)
<b>Loss per share</b>			
Basic and diluted (RMB)	8	(0.03)	(0.04)

The accompanying notes form parts of the financial statements.



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2024 — unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Loss for the period</b>	<b>(72,328)</b>	(80,944)
<b>Other comprehensive income for the period</b>		
Item that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of the Company	<b>308</b>	1,511
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside mainland China	<b>1,455</b>	10,113
<b>Total comprehensive loss for the period</b>	<b>(70,565)</b>	(69,320)

The accompanying notes form parts of the financial statements.

# Consolidated Statement of Financial Position

as at 30 June 2024 — unaudited

(Expressed in Renminbi)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	9	230,609	242,468
Intangible assets		2,486	2,051
Right-of-use assets		7,605	8,149
Financial assets measured at fair value through profit or loss	10	110,793	92,847
Time deposits	13	102,597	61,490
Deferred tax assets	7(b)	5,808	8,879
Other receivables	11	7,916	1,915
		<b>467,814</b>	417,799
<b>Current assets</b>			
Contract costs		4,590	3,761
Financial assets measured at fair value through profit or loss	10	164,885	381,394
Trade and other receivables	11	95,631	87,409
Pledged bank deposits		1,873	1,851
Restricted cash		160	5,522
Time deposits	13	189,477	171,663
Cash and cash equivalents	12	452,704	396,216
		<b>909,320</b>	1,047,816
<b>Current liabilities</b>			
Trade and other payables	14	59,783	90,328
Bank loans	15	162,907	147,419
Contract liabilities		19,327	16,110
Current taxation		1,422	1,412
Lease liabilities		476	465
		<b>243,915</b>	255,734

# Consolidated Statement of Financial Position

as at 30 June 2024 — unaudited

(Expressed in Renminbi)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
<b>Net current assets</b>		<b>665,405</b>	792,082
<b>Total assets less current liabilities</b>		<b>1,133,219</b>	1,209,881
<b>Non-current liabilities</b>			
Contract liabilities		<b>5,058</b>	6,319
<b>NET ASSETS</b>		<b>1,128,161</b>	1,203,562
<b>CAPITAL AND RESERVES</b>	16		
Share capital		<b>154</b>	154
Reserves		<b>1,128,007</b>	1,203,408
<b>TOTAL EQUITY</b>		<b>1,128,161</b>	1,203,562

Approved and authorised for issue by the Board of Directors on 19 August 2024.

**Jiang Xiaohuang**  
Executive Director

**Sun Bo**  
Executive Director

The accompanying notes form parts of the financial statements.

# Consolidated Statement of Changes in Equity

for the six months ended 30 June 2024 — unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Share Award Scheme RMB'000	Capital reserve RMB'000	PRC Statutory reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained earnings RMB'000	Total equity RMB'000
<b>Balance at 1 January 2023</b>	154	49,127	–	208,952	25,830	(8,426)	(5,900)	1,227,212	1,496,949
<b>Changes in equity for the six months ended 30 June 2023:</b>									
Loss for the period	–	–	–	–	–	–	–	(80,944)	(80,944)
Other comprehensive income	–	–	–	–	–	11,624	–	–	11,624
<b>Total comprehensive income/(loss)</b>	–	–	–	–	–	11,624	–	(80,944)	(69,320)
Dividends (Note 16(a))	–	(29,490)	–	–	–	–	–	(88,763)	(118,253)
Equity settled share-based payments (Note 16(c))	–	–	–	3,033	–	–	–	–	3,033
<b>Balance at 30 June 2023 and 1 July 2023</b>	154	19,637	–	211,985	25,830	3,198	(5,900)	1,057,505	1,312,409
Loss for the period	–	–	–	–	–	–	–	(57,176)	(57,176)
Other comprehensive loss	–	–	–	–	–	(5,285)	–	–	(5,285)
<b>Total comprehensive loss</b>	–	–	–	–	–	(5,285)	–	(57,176)	(62,461)
Shares held for Share Award Scheme	–	–	(48,519)	–	–	–	–	–	(48,519)
Equity settled share-based payments (Note 16(c))	–	–	–	2,133	–	–	–	–	2,133
<b>Balance at 31 December 2023</b>	154	19,637	(48,519)	214,118	25,830	(2,087)	(5,900)	1,000,329	1,203,562

The accompanying notes form parts of the financial statements.

# Consolidated Statement of Changes in Equity

for the six months ended 30 June 2024 — unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Share Award Scheme RMB'000	Capital reserve RMB'000	PRC Statutory reserve RMB'000	Exchange reserve RMB'000	Fair value	Retained earnings RMB'000	Total equity RMB'000
							reserve (non-recycling) RMB'000		
<b>Balance at 1 January 2024</b>	154	19,637	(48,519)	214,118	25,830	(2,087)	(5,900)	1,000,329	1,203,562
<b>Changes in equity for the six months ended 30 June 2024:</b>									
Loss for the period	-	-	-	-	-	-	-	(72,328)	(72,328)
Other comprehensive income	-	-	-	-	-	1,763	-	-	1,763
Total comprehensive income/(loss)	-	-	-	-	-	1,763	-	(72,328)	(70,565)
Shares held for Share Award Scheme (Note 16(b))	-	-	(5,201)	-	-	-	-	-	(5,201)
Equity settled share-based payments (Note 16(c))	-	-	-	365	-	-	-	-	365
<b>Balance at 30 June 2024</b>	154	19,637	(53,720)	214,483	25,830	(324)	(5,900)	928,001	1,128,161

The accompanying notes form parts of the financial statements.

# Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2024 — unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
<b>Operating activities:</b>			
Cash used in operations		(116,253)	(42,903)
Income tax paid		(23)	(94)
<b>Net cash used in operating activities</b>		<b>(116,276)</b>	<b>(42,997)</b>
<b>Investing activities:</b>			
Payment for purchase of property, plant and equipment, intangible assets and other non-current assets		(1,704)	(2,697)
Proceeds from disposal of property, plant and equipment		76	394
Payment for investments measured at fair value through profit or loss		(408,725)	(311,589)
Proceeds from investments measured at fair value profit or loss		616,460	523,733
Proceeds from disposal of interests in equity-accounted investees companies		5,000	–
Payment for purchase of time deposits		(88,927)	(152,348)
Proceeds from redemption of time deposits		33,192	145,735
Interest received		8,564	13,479
<b>Net cash generated from investing activities</b>		<b>163,936</b>	<b>216,707</b>
<b>Financing activities:</b>			
Payment of dividends		–	(118,253)
Proceeds from loan borrowing		77,449	39,318
Repayment of loan borrowing		(63,588)	–
Effect of shares held for Share Award Scheme		(5,201)	–
<b>Net cash generated from/used in financing activities</b>		<b>8,660</b>	<b>(78,935)</b>
<b>Increase in cash and cash equivalents</b>		<b>56,320</b>	<b>94,775</b>
<b>Cash and cash equivalents at the beginning of the period</b>	12	<b>396,216</b>	<b>403,942</b>
<b>Effect of foreign exchange rate changes</b>		<b>168</b>	<b>719</b>
<b>Cash and cash equivalents at 30 June</b>	12	<b>452,704</b>	<b>499,436</b>

The accompanying notes form part of these financial statements.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## I CORPORATE INFORMATION

FriendTimes Inc. (“**the Company**”) was incorporated in the Cayman Islands on 16 November 2018 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 Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 October 2019 (the “**Listing**”).

The Company and its subsidiaries (together, “**the Group**”) are a mobile game developer, publisher and operator in ancient Chinese style female-oriented games in the PRC and overseas market.

## 2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 19 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 30.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2023 are available in the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 20 March 2024.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“2020 amendments”)
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“2022 amendments”)
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures — Supplier finance arrangements*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 4 REVENUE

The Group is principally engaged in provision of mobile game development and publishing services.

For the purpose of resources allocation and performance assessment, the Group's management focuses on the operating results of the Group as a whole. As such, the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

### (i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by business lines is as follows:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by business lines		
— Revenue from self-developed games published by the Group	511,246	597,047
— Revenue from self-developed games published through intellectual property license arrangement and others	14,826	23,295
	<b>526,072</b>	620,342



# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 4 REVENUE (continued)

### (i) Disaggregation of revenue (continued)

Disaggregation of the Group's revenue from contracts with customers by the timing of revenue recognition is set out below:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Over-time	526,070	620,332
Point-in-time	2	10
	<b>526,072</b>	620,342

The Group's customer base is diversified and includes nil customer with whom transactions have exceeded 10% of the Group's revenue for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

### (ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 30 June 2024, the aggregated amount of the transaction price allocated to the unsatisfied performance obligations under the Group's existing contract is RMB24,385,000 (31 December 2023: RMB22,429,000), among which RMB19,327,000 (31 December 2023: RMB16,110,000) is expected to be recognised within one year. This amount represents revenue expected to be recognised in the future from unamortised mobile game revenue and unamortised licensing fees. The Group will recognise as the control of services is transferred to the customer, which is expected to occur over the next 40 months.

### (iii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the games were published, the intellectual property was licensed or the services were provided.

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Mainland of the PRC	396,674	442,760
Overseas	129,398	177,582
	<b>526,072</b>	620,342

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 5 OTHER INCOME

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Government grants	(i)	3,753	13,029
Interest income from bank deposits		11,983	13,296
Investment income from wealth management products		475	424
Income from the sales of investment in listed securities		1,790	3,874
Dividend income from private funds		103	277
Net exchange gain		576	2,858
Others		39	255
		<b>18,719</b>	<b>34,013</b>

(i) In 2024, the Group received unconditional government subsidies mainly as recognition of their achievement in research and development, innovation and spreading Chinese culture.

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

### (a) Staff costs

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Salaries, wages and other benefits		135,778	136,354
Equity settled share-based payments	16(c)	365	3,033
Contributions to defined contribution plans	(i)	23,746	26,629
		<b>159,889</b>	<b>166,016</b>

(i) Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 6 PROFIT BEFORE TAXATION (continued)

### (b) Other items

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Depreciation of property, plant and equipment	12,002	12,977
Depreciation of right-of-use assets	543	543
Amortisation of intangible assets	1,091	1,351
Impairment losses recognised in trade and other receivables	23	4
Auditors' remuneration	500	500

## 7 INCOME TAX

### (a) Income tax in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Current tax:</b>		
Provision for current income tax for the period	–	1,367
	–	1,367
<b>Deferred tax:</b>		
Reversal of temporary differences	3,071	63,007
	3,071	64,374

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 7 INCOME TAX (continued)

### (b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the period are as follows:

Deferred tax arising from:	Change in fair value of financial assets measured at fair value through profit or loss RMB'000	Cumulative tax losses RMB'000	Unrealized profit RMB'000	Impairment losses of an associate and joint venture RMB'000	Total RMB'000
Balance at 1 January 2023	4,384	65,308	1,179	1,810	72,681
Charged to profit or loss	(4,385)	(57,172)	(1,179)	(1,066)	(63,802)
Balance at 31 December 2023	(1)	8,136	–	744	8,879
Charged to profit or loss	(1,401)	(926)	–	(744)	(3,071)
Balance at 30 June 2024	<b>(1,402)</b>	<b>7,210</b>	–	–	<b>5,808</b>

## 8 LOSS PER SHARE

### (a) Basic loss per share

Basic loss per share for the six months ended 30 June 2024 and 2023 is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue.

	Six months ended 30 June	
	2024	2023
Loss attributable to the equity shareholders of the Company (RMB'000)	<b>(72,328)</b>	(80,944)
Weighted average number of ordinary shares in issue ('000)	<b>2,116,111</b>	2,180,850
Basic loss per share	<b>(0.03)</b>	(0.04)

### (b) Diluted Loss per share

Diluted loss per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the group acquired items of property, plant and equipment with a cost of RMB178,000 (six months ended 30 June 2023: RMB1,228,000).

## 10 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Investment in Limited Liability Partnerships ("LLPs")	(i)	110,793	92,847
Investment in wealth management products	(ii)	143,828	356,133
Listed equity securities	(iii)	21,057	25,261
		<b>275,678</b>	474,241
Financial assets measured at fair value through profit or loss included in the consolidated financial statement:			
Current		<b>164,885</b>	381,394
Non-current		<b>110,793</b>	92,847

- (i) The investment in LLPs as at 30 June 2024 represent the Group's 10.78%, 6.55%, 5.99%, 0.83%, 9.60%, 22.90% and 4.17% shares in seven venture capital partnerships as a limited partner.
- (ii) The wealth management products as at 30 June 2024 are issued by four creditworthy major PRC commercial banks with variable interest rate.
- (iii) Listed equity securities as at 30 June 2024 represent the fair value of equity shares listed on an active stock market. The directors of the Company consider that the closing price of the securities is the fair value of the investment.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## II TRADE AND OTHER RECEIVABLES

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade receivables	(a)	68,612	58,329
Less: Loss allowance		(27)	(4)
Trade receivables, net		68,585	58,325
Deposits and prepayments		4,440	7,881
VAT deductible		6,822	4,330
Income tax recoverable		12,047	12,014
Other receivables		11,653	6,774
		103,547	89,324
Trade and other receivables, net of loss allowance			
— current portion		95,631	87,409
— non-current portion		7,916	1,915
		103,547	89,324

### (a) Ageing analysis

As at 30 June 2024 and 31 December 2023, the ageing analysis of trade receivables, based on the due date and net of allowance, is as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 3 months	68,611	58,328
Over 3 months but within 1 year	1	1
Less: Loss allowance	(27)	(4)
Trade receivables, net	68,585	58,325

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 12 CASH AND CASH EQUIVALENTS

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Cash at banks	448,392	395,966
Cash at other financial institutions	4,312	250
Cash and cash equivalents in the consolidated statement of financial position	452,704	396,216

## 13 TIME DEPOSITS

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
<b>Current</b>		
Time deposits with maturity over three months but less than one year	189,477	171,663
<b>Non-current</b>		
Time deposits with maturity over one year	102,597	61,490

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 14 TRADE AND OTHER PAYABLES

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade payables	(a)	34,811	31,455
Accrued payroll		21,875	55,216
Other payables and accruals		3,097	3,657
<b>Trade and other payables</b>		<b>59,783</b>	<b>90,328</b>

All trade and other payables are expected to be settled within one year or are repayable on demand.

(a) An ageing analysis of trade payables, based on the invoice date, is as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 3 months	34,637	31,435
Over 3 months but within 6 months	144	3
Over 6 months but within 12 months	29	–
Over 1 year	1	17
<b>Total</b>	<b>34,811</b>	<b>31,455</b>



# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 15 BANK LOANS

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Bank loans	162,907	147,419

As at 30 June 2024, the bank loans of RMB151,371,000 were discounted letters of credit which bore an interest rate of 1.7% to 2.5% per annum and will be mature in June 2025 and the remaining bank loans of RMB11,536,000 were credit loan which bores an interest rate of 4.39% per annum and will be mature in April 2025.

## 16 CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable to the interim period:

The Board of directors did not recommend a payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
No dividend in respect of the previous financial year, approved and paid during the interim period (six months ended 30 June 2023: HKD6 cents per share)	-	118,253

### (b) Shares held for Share Award Scheme

During the six months ended 30 June 2024, the Company acquired 5,158,000 ordinary shares through the designated trustees under the share award scheme for the purpose of granting shares (for the six months ended 30 June 2023: Nil).

### (c) Equity settled share-based transactions

The Company has adopted a share award scheme on 14 September 2020 (the "Share Award Scheme") for the purpose of incentivizing directors, senior management and certain key employees for their contribution to the Group, and to attract and retain skilled and experienced personnel for the future growth of the Group by providing them with the opportunity to own equity interests in the Company. Mr. Jiang Xiaohuang, the controlling shareholder of the Company, decided to indirectly transfer an aggregate of 80,000,000 shares of the Company as a gift within three years, at nil consideration, as the pool of shares of the Share Award Scheme. A trust has been set up to for the administration and vesting of restricted shares ("RSUs") granted pursuant to the Share Award Scheme.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 16 CAPITAL, RESERVES AND DIVIDENDS (continued)

### (c) Equity settled share-based transactions (continued)

On 1 January 2021, the first aggregate of 40,000,000 RSUs were granted for nil consideration to 37 eligible employees of the Group under the Share Award Scheme with fair value of HKD1.99 per share determined by the latest closing market price of the shares up to the date of grant. These RSUs vest for a period from one month to 49 months. In addition to the service condition, there are other vesting conditions related to the employee's performance and the Group's performance for each of the vesting period.

On 5 January 2022, the aggregate of 16,000,000 RSUs were granted for nil consideration to 27 eligible employees of the Group under the Share Award Scheme with fair value of HKD1.33 per share determined by the latest closing market price of the shares up to the date of grant. These RSUs vest for a period from one month to 37 months. In addition to the service condition, there are other vesting conditions related to the employee's performance and the Group's performance for each of the vesting period.

On 2 January 2023, the aggregate of 2,152,000 RSUs were granted for nil consideration to 5 eligible employees of the Group under the Share Award Scheme with fair value of HKD0.96 per share determined by the latest closing market price of the shares up to the date of grant. These RSUs vest for a period from one month to 37 months. In addition to the service condition, there are other vesting conditions related to the employee's performance and the Group's performance for each of the vesting period.

On 5 January 2023, the aggregate of 6,461,600 RSUs were granted for nil consideration to 22 eligible employees of the Group under the Share Award Scheme with fair value of HKD0.99 per share determined by the latest closing market price of the shares up to the date of grant. These RSUs vest for a period of one month with only service condition.

Movements in the number of RSUs granted to the Group's directors, senior management, and employees and the respective weighted-average grant date fair value are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU HKD
Outstanding as of 31 December 2023	16,616,400	1.75
Forfeited during six months ended 30 June 2024	(7,040,000)	1.62
Vested during six months ended 30 June 2024	(3,437,600)	1.96
Outstanding as of 30 June 2024	6,138,800	1.77

During the six months ended 30 June 2024, a total number of 3,437,600 shares had been vested. As at 30 June 2024, a total of 6,138,800 shares was outstanding for vesting.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (a) Financial assets and liabilities measured at fair value

#### (i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments, including investment in wealth management product which is categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the directors is held once a year, to coincide with the reporting dates.

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Level 1 Assets		
Listed equity securities	21,057	25,261
Level 2 Assets		
Investment in LLPs	110,793	92,847
Level 3 Assets		
Investment in wealth management products	143,828	356,133
	<b>275,678</b>	474,241

During the six months ended 30 June 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

### (a) Financial assets and liabilities measured at fair value (continued)

#### (ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of Level 2 assets is generally obtained through the use of valuation methodologies with observable market inputs or by reference to the latest round of financing, i.e. the prior transaction price or the third-party pricing information. As the investees are in normal operation without any significant business milestone events during the period, the fair value of the unlisted equity investments and LLP is determined with reference to the latest round of financing price, adjusted by unobservable inputs based on information such as its latest available financial information, where applicable as at 30 June 2024.

#### (iii) Information about Level 3 fair value measurements

The fair value of the investment in wealth management products issued by banks as at 30 June 2024 is determined using the forecast future cashflow discounted by risk-adjusted discount rate. The valuation requires the directors to make estimates about the expected future cash flows. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit and loss, are reasonable, and that they were the most appropriate values as at the reporting period end. As at 30 June 2024, the expected investment income ranged from RMB214,000 to RMB526,000, and the risk adjusted discount rate ranged from 1.00% to 2.90%. The fair value measurement is positively correlated to the expected investment income and negatively correlated to the risk adjusted discount rate.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2024 RMB'000	2023 RMB'000
Investment in wealth management products		
At 1 January	356,133	360,000
Payment for purchases	350,459	280,000
Realised gain from investment recognised in "other income" in the consolidated statement of profit or loss	475	424
Proceeds upon maturity	(565,450)	(501,914)
Changes in fair value of financial assets measured at fair value through profit or loss	2,199	1,703
Foreign exchange adjustment	12	–
At 30 June	143,828	140,213

Any gains or losses arising from the remeasurement of the Group's unlisted equity investments held for strategic purpose are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

### (b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2024 and 31 December 2023 due to short-term maturity of these instruments.

## 18 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

### (a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Short-term employee benefits	1,907	2,404
Equity settled share-based payments	97	561
Post-employee benefits	86	108
	<b>2,090</b>	3,073

Total remuneration is included in "staff costs" (see Note 6(a)).

## 19 SUBSEQUENT EVENTS

No significant subsequent events have occurred subsequent to 30 June 2024.