

望尘科技控股有限公司

Gala Technology Holding Limited

(incorporated in the Cayman Island with limited liability)

Stock code: 2458



2023

Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Jia Xiaodong (*Chairman and Chief Executive Officer*)
Mr. Huang Xiang
Mr. Li Xin

Independent Non-executive Directors

Mr. Leung Ming Shu
Mr. Zhan Peixun
Ms. Chak Hoi Kee Clara

COMPANY SECRETARY

Ms. Cheng Lucy (appointed on 4 May 2023)
Mr. Chu Kai Chi (resigned on 4 May 2023)

AUTHORIZED REPRESENTATIVES

Mr. Li Xin
Ms. Cheng Lucy (appointed on 4 May 2023)
Mr. Chu Kai Chi (resigned on 4 May 2023)

AUDIT COMMITTEE

Mr. Leung Ming Shu (*Chairman*)
Mr. Zhan Peixun
Ms. Chak Hoi Kee Clara

REMUNERATION COMMITTEE

Mr. Zhan Peixun (*Chairman*)
Mr. Li Xin
Mr. Leung Ming Shu

NOMINATION COMMITTEE

Mr. Jia Xiaodong (*Chairman*)
Ms. Chak Hoi Kee Clara
Mr. Zhan Peixun

ESG OVERSIGHT COMMITTEE

Mr. Jia Xiaodong (*Chairman*)
Ms. Zheng Xiaoping (*Administrative Management Director*)
Ms. Shao Jingfei (*Human Resource Director*)

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

PRINCIPAL BANKS

Bank of China (Hong Kong) Limited
China Merchants Bank Co., Ltd.
Industrial and Commercial Bank of China Limited

LEGAL ADVISERS

As to Hong Kong Law
Sidley Austin

COMPLIANCE ADVISER

UOB Kay Hian (Hong Kong) Limited

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F., 148 Electric Road
North Point
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

4203-4204, Qianhai Shimao Finance Centre II
No. 3040, Aohai Avenue, Nanshan Street
Qianhai Shenzhen-Hong Kong Cooperation Zone
Shenzhen
PRC

COMPANY'S WEBSITE ADDRESS

www.galasports.com

SHARE REGISTRARS

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

STOCK CODE

02458

FINANCIAL PERFORMANCE HIGHLIGHTS

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

	Six months ended 30 June		Change %
	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000	
Revenue	354,399	294,775	20.2%
Cost of revenue	(155,231)	(145,910)	6.4%
Gross profit	199,168	148,865	33.8%
Other (losses)/gains, net	(3,751)	1,034	-462.8%
Other income	7,042	3,594	95.9%
Selling and marketing expenses	(80,455)	(73,445)	9.5%
General and administrative expenses	(25,330)	(17,461)	45.1%
Research and development expenses	(50,324)	(37,508)	34.2%
Impairment loss under expected credit loss model, net of reversal	(647)	(1,772)	-63.5%
Finance (cost)/income, net	(2,383)	570	-518.1%
Profit before income tax	43,320	23,877	81.4%
Income tax expenses	(3,969)	(3,551)	11.8%
Profit for the period	39,351	20,326	93.6%
(Non-HKFRS measure)			
Adjusted net profit ⁽¹⁾	39,625	27,333	45.0%

Note:

- (1) Adjusted net profit for the period represents profit for the period after adjusting for the net fair value changes on the Pre-IPO Convertible Bonds and the listing expenses. HKFRS does not define adjusted net profit for the period and therefore it may not be comparable to similar items presented by other listed companies.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

As a leading technology-driven mobile sports game company in China, Gala Technology Holding Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) has accumulated over 10 years of game development and operation experience, adhering to the principle of “enhancing sports with technology for more fun”. The games launched cover football, baseball and basketball, which are three of the most popular sports worldwide, forming unique game content and a large user base.

The shares of the Company (the “**Shares**”) were listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 January 2023 (the “**Listing Date**”). During the six months ended 30 June 2023, the Group’s game development and operation business developed steadily. We consolidated and deepened our official cooperation with international sports associations (FIFPro, NBA, and NBPA), as well as top football clubs such as F.C. Barcelona, F.C. Bayern Munich, and Manchester City F.C.. We continuously updated game content and launched new versions with new themes, providing users with a rich and diversified gaming experience.

At the beginning of 2023, the Group acquired intellectual properties (“**IP**”) right licenses from Major League Baseball (the “**MLB**”) and Major League Baseball Players Association (the “**MLBPA**”) and launched testing of the new game *MLB Clutch Hit Baseball* (*MLB棒球大師*) during the six months ended 30 June 2023, which attracted active participation from users and accumulated data supporting subsequent refining of products. Meanwhile, the Group’s well-known football management simulation game *Football Champion* (*最佳11人*) continued to iterate, adding a Superstar Career Mode, allowing users to experience the path to stardom, which received widespread acclaim from users. The first action-based football game *Total Football* (*最佳球會*) launched in July 2022, achieved the first place in the sports game download list of the mainland China Apple Store in its first month of launch. The highly realistic player modeling, rich player movements, and delicate operation feel in the game allowed users to feel as if they were on the field, providing a real match experience, and steadily improved its recognition and reputation.

Thanks to the good performance of the Group’s core games, the Group’s total revenue increased by approximately 20.2% from approximately RMB294.8 million for the six months ended 30 June 2022, to approximately RMB354.4 million for the six months ended 30 June 2023. Gross profit increased by approximately 33.8% from approximately RMB148.9 million for the six months ended 30 June 2022, to approximately RMB199.2 million for the six months ended 30 June 2023. The overall gross profit margin increased by approximately 5.7 percentage points to 56.2%. Net profit and net profit attributable to the owner of the Company increased significantly by approximately 93.6% and 93.0% to approximately RMB39.4 million and approximately RMB39.3 million, respectively, for the six months ended 30 June 2023.

There have been no material adverse changes in respect of the Group’s business development or business model since the publication of the latest annual report.

Application of AI Technology

During the six months ended 30 June 2023, the Group continued to focus on the research and development (“R&D”) of cutting-edge and general technologies, increasing investment in core talent reserves, R&D tool iteration, and new artificial intelligence (“AI”) technologies. R&D expenses increased by approximately 34.2% from approximately RMB37.5 million for the six months ended 30 June 2022, to approximately RMB50.3 million for the six months ended 30 June 2023.

As of the end of 30 June 2023, the Group’s self-developed AI engine, 3D stadium real-time replication, and other AI technologies have undergone several years of iterative upgrades and are now ahead of our competitors. For example, the Group’s unique Arena4D technology for real-time stadium replication, not only satisfies the creation of 3D character and scene generation in games, but also completes real-time computing, modeling, and photo-quality rendering of virtual spaces and characters by capturing video of the events, reproducing a 1:1 arena in real time with minimal delay. In addition, Arena4D captures the players’ motion and incorporate professional movements into our games’ player movement database, enhancing the realism of the game, and significantly reducing the cost of hiring professional players for motion capture. In terms of game art, the Group is also actively promoting the application of artificial intelligence generated content (“AIGC”) technologies such as Stable Diffusion and Midjourney in game original painting, game icons, props, and scene creation, effectively reducing the time and resources needed to produce a large amount of art content, and efficiently improving game art productivity.

Outlook for the Second Half of 2023

Looking ahead to the second half of 2023, our core game *Football Champion* (最佳11人), which has entered the stable and mature stage of its life cycle, will continue to consolidate its player activity, in-game community scale and profitability. *Total Football* (最佳球會), representing the Group’s top-notch technology, will also enter into the most robust stage of its life cycle and expand into key overseas markets, contributing to the Group’s revenue. *MLB Clutch Hit Baseball* (MLB棒球大師) is expected to achieve rapid growth in revenue scale in the second half of the year through continuous iteration and optimisation.

The Group will also continue to launch boutique and diversified game products, tapping into the development opportunities in the niche areas of sports games. As of now, the Group has three games under development, namely the fishing simulation game “Project Code: Fishing Master”, the action-based basketball game “Project Code: Operation Basketball” and the action-based American football game. “Project Code: Fishing Master” will adopt real physics engine, motion capture technology, weather change system, realistic water flow effect, high-definition fish modeling, providing users with an immersive fishing experience. “Project Code: Operation Basketball” will continue to adopt the upgraded motion capture and human motion engine, the Group’s AI technology, and real audience rendering technology to maximise the reproduction of basketball player movements, tactical positioning, and court interaction details in real basketball games, allowing users to enjoy a next-generation basketball experience on mobile devices. The above-mentioned games under development are expected to be launched within the next half year to two years, and “Project Code: Fishing Master” is expected to start testing within 2023.

The Group has full confidence in the sports gaming track we are in. Moreover, with the advancement of technology, the Group can further optimise the game quality of the released games, and can increase the efficiency of development and iteration of the games in the pipeline. We will keep up with the pace of technological updates, increase the reserve of core talents in game R&D and operations, accelerate the application and research breakthroughs of AIGC technology, expand our layout in the field of casual games, launch a more diversified product portfolio, and provide users with higher quality game content.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of revenue by publishing models in absolute amounts and as percentages to the total revenue of the Group for the periods indicated:

	Six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Self-publishing games	352,386	99.4	292,106	99.1
Third party publishing game	2,013	0.6	2,669	0.9
Total	354,399	100.0	294,775	100.0

Revenue increased by approximately RMB59.6 million, or 20.2%, from approximately RMB294.8 million for the six months ended 30 June 2022 to approximately RMB354.4 million for the six months ended 30 June 2023, which was mainly attributable to the revenue generated from a new game launched in July 2022 – *Total Football* (最佳球會).

Cost of Revenue

The following table sets forth a breakdown of the cost of revenue in absolute amounts and as percentages to the total cost of revenue of the Group for the periods indicated:

	Six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Commission fee to the platforms	100,550	64.8	102,290	70.1
License fees	36,734	23.7	29,813	20.4
Revenue sharing to third-party publishers	1,533	1.0	2,244	1.5
Staff costs	9,762	6.3	5,782	4.0
Server usage expenses	5,669	3.7	5,121	3.5
Others*	983	0.5	660	0.5
Total	155,231	100.0	145,910	100.0

* Others mainly consist of depreciation of property, plant and equipment and depreciation of right-of-use assets.

Cost of revenue increased by approximately RMB9.3 million, or 6.4%, from approximately RMB145.9 million for the six months ended 30 June 2022 to approximately RMB155.2 million for the six months ended 30 June 2023. The increase in cost of revenue was primarily attributable to (i) the increase of approximately RMB6.9 million, or 23.2% of license fees as the Group acquired the IP right licenses from MLB and MLBPA during the six months ended 30 June 2023 for the newly launched baseball action simulation game, *MLB Clutch Hit Baseball* (MLB棒球大師) and some of the Group's IP licensing arrangements provide for revenue sharing from our income generated; and (ii) the increase of approximately RMB4.0 million, or 68.8% of staff costs due to the increase in the number of staff in maintenance, operation and customer service for our newly launched games, namely *Total Football* (最佳球會) and *MLB Clutch Hit Baseball* (MLB棒球大師).

Gross Profit and Gross Profit Margin

The gross profit increased by approximately RMB50.3 million, or 33.8%, from approximately RMB148.9 million for the six months ended 30 June 2022 to approximately RMB199.2 million for the six months ended 30 June 2023. The gross profit margin of the Group increased from approximately 50.5% for the six months ended 30 June 2022 to approximately 56.2% for the six months ended 30 June 2023. The increase in gross profit margin was primarily due to (i) the gross profit margin of *Total Football* (最佳球會), which was launched in the second half of 2022, was approximately 63.7% for the six months ended 30 June 2023; and (ii) the gross profit margin of *Football Champion* (最佳11人 – 冠軍球會) was approximately 64.0% for the six months ended 30 June 2023, as compared with approximately 59.5% for the corresponding period in 2022.

Other (Losses)/Gains, Net

The net other (losses)/gains primarily consisted of (i) fair value (losses)/gains on financial assets and liabilities at fair value through profit or loss ("FVTPL"); and (ii) net foreign exchange gains/(losses). For the six months ended 30 June 2023, our net other losses amounted to approximately RMB3.8 million as compared with net other gains of RMB1.0 million for the corresponding period in 2022, mainly because of the fluctuation of foreign currency exchange.

Other Income

The other income primarily consisted of government grants. Other income increased by approximately RMB3.4 million, or 95.9%, from approximately RMB3.6 million for the six months ended 30 June 2022 to approximately RMB7.0 million for the six months ended 30 June 2023, mainly because the Group received certain new grants and/or subsidies from the local governmental departments during the six months ended 30 June 2023.

Selling and Marketing Expenses

Selling and marketing expenses increased by approximately RMB7.0 million, or 9.5%, from approximately RMB73.4 million for the six months ended 30 June 2022 to approximately RMB80.5 million for the six months ended 30 June 2023, which was primarily attributable to the increase in advertising and marketing expenses as the Group carried out more advertising activities during the six months ended 30 June 2023 for promoting the newly launched game, *Total Football* (最佳球會).

General and Administrative Expenses

General and administrative expenses increased by approximately RMB7.9 million, or 45.1%, from approximately RMB17.5 million for the six months ended 30 June 2022 to approximately RMB25.3 million for the six months ended 30 June 2023, which was primarily attributable to the increase in salaries and bonuses for general and administrative staff by approximately RMB2.8 million, or 46.7% and increase in other general and administrative expenses by approximately RMB4.5 million as a result of business development and the incurrence of professional fees after Listing.

Research and Development Expenses

Research and development expenses increased by approximately RMB12.8 million, or 34.2%, from approximately RMB37.5 million for the six months ended 30 June 2022 to approximately RMB50.3 million for the six months ended 30 June 2023, which was primarily attributable to the increase in employee benefits and salaries of the R&D staff of approximately RMB11.5 million, or 35.3% primarily due to the increase in the number of the Group's R&D staff during the six months ended 30 June 2023 for the development of the new mobile sports games released and in the pipeline during the six months ended 30 June 2023 and the salary increment offered to reward the talented R&D personnel of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment Loss under Expected Credit Loss Model, Net of Reversal

The net impairment loss on financial assets decreased by approximately RMB1.1 million, or 63.5%, from approximately RMB1.8 million for the six months ended 30 June 2022 to approximately RMB0.6 million for the six months ended 30 June 2023, which was mainly because the Group made provision for impairment of trade receivables regarding an overdue amount by one of the payment vendors of approximately RMB1.8 million during the six months ended 30 June 2022, but there was no such provision made for the six months ended 30 June 2023. The Group has taken measures to recover the outstanding amount by serving payment demand request on the payment vendor and the finance team closely monitored the collectability of this payment and will continue to communicate with the payment vendor to obtain updates of its anticipated settlement.

Finance (Cost)/Income, Net

For the six months ended 30 June 2023, the net finance cost of approximately RMB2.4 million mainly consists of interest cost on lease liabilities and interest accretion on non-current license fee and royalties payables. For the six months ended 30 June 2022, the net finance income of approximately RMB0.6 million mainly consists of interest income from bank deposits of approximately RMB1.1 million.

Income Tax Expenses

Income tax expenses increased by approximately RMB0.4 million, or 11.8%, from approximately RMB3.6 million for the six months ended 30 June 2022 to approximately RMB4.0 million for the six months ended 30 June 2023, which was primarily due to the increase in profit before income tax expenses.

Adjusted Net Profit

The table sets forth the adjusted net profit (Non-HKFRS measure) of the Group for the periods indicated after adjusting for the net fair value changes on the Pre-IPO Convertible Bonds (as defined below) and the listing expenses as a non-HKFRS measure:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Profit for the period, net of tax	39,351	20,326
Add:		
Fair value loss on a financial liability measured at FVTPL	—	4,379
Listing expenses	274	5,693
Deduct:		
Fair value gain on extension of a financial liability measured at FVTPL	—	(3,065)
Adjusted net profit (Non-HKFRS measure)	39,625	27,333

The Group believes that the presentation of such non-HKFRS measure when shown in conjunction with the corresponding HKFRS measure provides useful information to potential investors and management in facilitating a comparison of its operating performance by eliminating potential impacts of the net fair value changes on the convertible bonds issued by the Company on 21 June 2021 in the principal amount of HK\$77,112,000 (the "Pre-IPO Convertible Bonds") and the listing expenses. The use of the non-HKFRS measure has limitations as any other analytical tool, and should not be considered in isolation from or as a substitute for or superior to, the analysis of the Group's results of operations or financial condition as reported under the HKFRS. In addition, the non-HKFRS measure may be defined differently from similar terms used by other companies.

Liquidity, Financial and Capital Resources

As of 30 June 2023, the Group's cash and cash equivalents was approximately RMB285.4 million, represented an increase of approximately RMB52.8 million from approximately RMB232.6 million as of 31 December 2022, primarily due to (i) proceeds from the Listing; and (ii) revenue generated from game development and operation of the Group. The cash and cash equivalents were mainly denominated in Renminbi ("**RMB**").

The net current assets of the Group increased by approximately RMB149.3 million from approximately RMB76.1 million as of 31 December 2022 to approximately RMB225.4 million as of 30 June 2023. As of 30 June 2023, the Group's current ratio (current assets/current liabilities) was approximately 2.72 (31 December 2022: approximately 1.33).

As of 30 June 2023, the Group did not have any bank borrowings (31 December 2022: nil).

Gearing Ratio

As at 30 June 2023, gearing ratio (defined as debt divided by total equity, where debt includes lease liabilities and a financial liability at FVTPL) was 0.03 times (31 December 2022: 0.66 times).

	As of 30 June 2023 RMB'000	As of 31 December 2022 RMB'000
Leases liabilities		
— Current	7,484	6,651
— Non-current	977	4,475
Financial liability at FVTPL	—	69,393
Debt	8,461	80,519
Equity	298,750	122,614
Gearing ratio	0.03 times	0.66 times

Contingent Liabilities

As at 30 June 2023, the Group did not have any contingent liabilities (31 December 2022: nil).

Pledge of Assets

As at 30 June 2023, none of the assets of the Group was pledged (31 December 2022: nil).

Capital Commitments

Capital commitments of the Group as at 30 June 2023 amounted to approximately RMB4.2 million, which primarily consisted of purchase of intangible assets (31 December 2022: RMB92.3 million).

Material Acquisitions and Disposal of Subsidiaries

The Group had neither material acquisition nor disposal of subsidiaries, associates and joint ventures for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

Significant Investments

During the six months ended 30 June 2023, 深圳市望塵莫及科技有限公司 (Shenzhen Wangchen Moji Technology Co., Ltd.*) (an indirect wholly-owned subsidiary of the Company) and 深圳市莫及科技有限公司 (Shenzhen Moji Technology Co., Ltd.*) (a PRC operating entity of the Company) invested in wealth management products known as 招銀理財招贏日日鑫現金管理類理財計劃 (代碼：80008) and 招銀理財招贏朝招金多元穩健型現金管理類理財計劃 (代碼：7007) issued by CMB Wealth Management Co., Ltd. (招銀理財有限責任公司) in the highest aggregate outstanding principal amount of RMB21.5 million, which were subsequently redeemed in full as at 30 June 2023.

During the six months ended 30 June 2023, the total interest income and fair value gain realised from the redemption of the above wealth management products amounted to RMB133,799.15. The gain was calculated mainly with reference to prices of purchase and redemption of such wealth management products.

As at 30 June 2023, save as disclosed above, the Group did not have any significant investments (31 December 2022: nil).

Future Plans for Material Investments and Capital Assets

As at 30 June 2023, save as disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 December 2022 (the “**Prospectus**”), the Group did not have any other future plans for material investments or capital assets (31 December 2022: same).

Treasury Policies and Foreign Exchange Exposure

The Group has adopted a prudent approach on treasury management for the purpose of investing the sufficient financial resources in wealth management products.

The Group’s foreign currency transactions are mainly denominated in United States dollar (“**US\$**”), European dollar (“**EUR**”) and Hong Kong dollar (“**HK\$**”). The majority of assets and liabilities are denominated in RMB, US\$, EUR and HK\$ and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities denominating in a currency other than RMB, which is the functional currency of the major operating companies within the Group.

The Group did not experience any significant liquidity problems resulting from currency exchange fluctuations during the six months ended 30 June 2023. The Group did not hedge its foreign currency exposure during the six months ended 30 June 2023 (six months ended 30 June 2022: same). However, continuous monitoring on the foreign exchange exposure is carried out by the management.

Employees and Remuneration Policy

As of 30 June 2023, the Group had 398 full-time employees (31 December 2022: 367), most of whom were based in the People’s Republic of China (the “**PRC**”). During the six months ended 30 June 2023, the total staff costs were approximately RMB70.4 million (six months ended 30 June 2022: RMB49.2 million). The Group has established rules and procedures of recruitment, job promotion, compensation, benefits, leave, dismissal, etc. The Group determines employees’ compensation packages on the basis of work performance and the market standard of remuneration. The Group compensates its employees with base salaries and performance-based bonuses. The Group has also adopted a share option scheme as a long term incentive to directors and employees. In addition, training and development programmes are provided on an on-going basis throughout the Group.

The Group’s companies incorporated in the PRC contribute, based on certain percentage of the salaries of the employees, to a defined contribution retirement benefit plan and other defined contribution social security plans organised by relevant government authorities in the PRC on a monthly basis.

* for identification purpose only

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

ISSUE OF CONVERSION SHARES

In June 2021, the Company issued the Pre-IPO Convertible Bonds in the principal amount of HK\$77,112,000 (equivalent to RMB64,163,000) to Garena Ventures Private Limited ("**Garena Ventures**"). The Pre-IPO Convertible Bonds were automatically converted into 12,000,000 Shares at a conversion price of HK\$6.426 per Share on the Listing Date, representing approximately 8.70% of the issued share capital of the Company as at the Listing Date and the date of this report.

Save as disclosed above, the Company did not issue any equity securities (including securities convertible into equity securities) during the six months ended 30 June 2023.

INTERIM DIVIDEND

After taking into consideration the capital expenditure required by the Group's plan to develop new games and promote its existing games and new games in overseas markets in 2023, the board of directors of the Company (the "**Board**") recommended not to declare any interim dividend of the Company for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events after 30 June 2023 and up to the date of this report.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company's net proceeds from the global offering were approximately HK\$11.0 million (after deducting the underwriting commissions and other expenses in connection with the global offering). The following table sets forth details of the use of net proceeds from the Listing Date to 30 June 2023:

Purpose of the net proceeds	Percentage of total amount of net proceeds (%)	Amount of net proceeds allocated* (HK\$'000)	Actual usage from the Listing Date and up to 30 June 2023 (HK\$'000)	Unutilised net proceeds as at 30 June 2023 (HK\$'000)	Expected timeline for usage of net proceeds
Renew existing IP right licenses and obtain additional IP right licenses from sports leagues, sports associations and sports clubs for the development of existing and new mobile sports games	30%	3,289	825	2,464	By December 2024
Solidifying the marketing efforts to actively promote the Group's games to both PRC and overseas markets	35%	3,838	975	2,863	By December 2024
Further strengthening the Group's talent pool and further improving the Group's research and development capabilities	25%	2,741	700	2,041	By December 2024
Working capital and general corporate purposes	10%	1,096	250	846	By December 2024
Total	100%	10,964	2,750	8,214	

* Refers to the intend to use of proceeds under heading "Future Plans and Use of Proceeds" as stated in the Prospectus.

OTHER INFORMATION

The unutilised net proceeds is currently held in bank deposits at authorised financial institutions and/or licensed banks as defined under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”) and laws in the relevant jurisdictions (where applicable) and it will be used in the manner consistent with the proposed allocations and expected timeframe as disclosed in the Prospectus and above.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set forth in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) since the Listing Date. The Company has made specific enquiry with its directors (the “Directors”) and all Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability.

Since the Listing Date, the Company has adopted and applied the code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “CG Code”) as its own. The Board has reviewed the Company’s corporate governance practices and is satisfied that save as disclosed below, the Company has been in compliance with the code provisions set out in Part 2 of the CG Code during the six months ended 30 June 2023.

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Jia Xiaodong (“Mr. Jia”) is currently the chairman of the Board and the chief executive officer of the Group. Taking into account Mr. Jia’s extensive experience in the online game industry and in view of Mr. Jia’s role in the overall management of the Group since the Group’s founding, the Board believes that it is in the interest of the Group for Mr. Jia to take up both roles for effective management and operations. Therefore, the Directors consider that the deviation from such code provision is appropriate. Notwithstanding such deviation, the Directors are of the view that the Board is able to function efficiently and perform its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions will be made in consultation with the members of the Board and the relevant Board committees, and there are three independent non-executive Directors on the Board who can provide independent advice on the operations and management of the Group, the Board takes the view that there is adequate safeguard in place to ensure a sufficient balance of powers within the Board. The Board will also review the structure and composition of the Board and senior management team from time to time in light of the prevailing circumstances to maintain a high standard of corporate governance practices of the Company.

REVIEW OF THE INTERIM RESULTS BY THE AUDIT COMMITTEE

The Company has established the audit committee (the “Audit Committee”) on 21 December 2022 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and code provision D.3.3 of the CG Code. The Audit Committee consists of three members, namely Mr. Leung Ming Shu (chairman of the Audit Committee), Ms. Chak Hoi Kee Clara and Mr. Zhan Peixun, all being independent non-executive Directors.

The primary duties of the Audit Committee include, but are not limited to, (i) reviewing and supervising the financial reporting process and internal control system of the Group, risk management and internal audit; (ii) providing advice and comments to the Board; and (iii) performing other duties and responsibilities as may be assigned by the Board.

The Audit Committee had discussed and reviewed the Group’s unaudited interim results for the six months ended 30 June 2023 and this interim report with the Company’s management.

The Group’s unaudited interim results and this interim report for the six months ended 30 June 2023 have been reviewed by the Company’s independent auditor, Deloitte Touche Tohmatsu, 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 “HKICPA”).

CHANGE OF INDEPENDENT AUDITOR

As disclosed in the announcement and circular of the Company dated 22 May 2023 and 24 May 2023 respectively, PricewaterhouseCoopers retired as the independent auditor of the Company upon expiration of its term of office at the conclusion of the annual general meeting of the Company held on 16 June 2023 (the “AGM”). Deloitte Touche Tohmatsu was appointed as the Company’s independent auditor with effect from the conclusion of the AGM and until the conclusion of the next annual general meeting of the Company.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be 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 or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code, were as follows:

(a) Interest in Shares

Name of Director or chief executive	Capacity/Nature of Interest	Number of Shares Interested ⁽¹⁾	Approximate percentage of interest
Mr. Jia ⁽²⁾	Interest in controlled corporation/ Corporate interest	31,307,986 (L)	22.69%
Mr. Huang Xiang (“Mr. Huang”) ⁽³⁾	Interest in controlled corporation/ Corporate interest	21,837,345 (L)	15.82%
Mr. Li Xin (“Mr. Li”) ⁽⁴⁾	Interest in controlled corporation/ Corporate interest	3,654,323 (L)	2.65%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) These Shares were held directly by Great Shine Holding Limited (“Great Shine”). Mr. Jia is the sole shareholder of Great Shine. By virtue of the SFO, Mr. Jia is deemed to be interested in all the Shares held by Great Shine.
- (3) These Shares were held directly by High Triumph Holding Limited (“High Triumph”). Mr. Huang is the sole shareholder of High Triumph. By virtue of the SFO, Mr. Huang is deemed to be interested in all the Shares held by High Triumph.
- (4) These Shares were held directly by Neo Honour Holding Limited (“Neo Honour”). Mr. Li is the sole shareholder of Neo Honour. By virtue of the SFO, Mr. Li is deemed to be interested in all the Shares held by Neo Honour.

OTHER INFORMATION

(b) Interest in shares and underlying shares in associated corporations of the Company

Name of Director or chief executive	Name of associated	Capacity/Nature of interest	Number of shares Interested ⁽¹⁾	Approximate percentage of shareholding interest
Mr. Jia ⁽²⁾	Wangchen Technology	Beneficial owner/Personal interest	2,771,342 (L)	23.53%
		Interest in controlled corporations/ Corporate interest	1,780,280 (L)	15.12%
Mr. Huang	Wangchen Technology	Beneficial owner/Personal interest	2,049,475 (L)	17.40%
Mr. Li ⁽³⁾	Wangchen Technology	Beneficial owner/Personal interest	274,444 (L)	2.33%
		Interest in controlled corporations/ Corporate interest	118,333 (L)	1.00%

Notes:

- (1) The letter "L" denotes the person's long position in the equity interest.
- (2) Mr. Jia is a general partner of 深圳市望伯納烏科技企業 (有限合夥) (Shenzhen Wangbo Nawu Technology Enterprise (Limited Partnership))* ("Wangbo Nawu"), 深圳市望聖西羅科技企業 (有限合夥) (Shenzhen Wangsheng Xiluo Technology Enterprise (Limited Partnership))* ("Wangsheng Xiluo"), 深圳市騰望投資中心 (有限合夥) (Shenzhen Chengwang Investment Centre (Limited Partnership))* ("Chengwang Investment") and 深圳市望諾坎普科技企業 (有限合夥) (Shenzhen Wangnuo Kanpu Technology Enterprise (Limited Partnership))* ("Wangnuo Kanpu"). By virtue of the SFO, Mr. Jia is deemed to be interested in the equity interest in 深圳市望塵科技有限公司 (Shenzhen Wangchen Technology Co., Ltd)* ("Wangchen Technology") held by Wangbo Nawu, Wangsheng Xiluo, Chengwang Investment and Wangnuo Kanpu.
- (3) Mr. Li is a general partner of Wangsheng Xiluo. By virtue of the SFO, Mr. Li is deemed to be interested in the equity interest in Wangchen Technology held by Wangsheng Xiluo.

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executives of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register 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.

* for identification purpose only

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

As at 30 June 2023, so far as the Directors are aware, the following persons (other than the Directors or chief executives of the Company) had or were deemed or taken to have an interest or short position in the Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests in the Shares or Underlying Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares held ⁽¹⁾	Approximate percentage in total number of Shares
Great Shine ⁽²⁾	Beneficial owner/Personal interest	31,307,986 (L)	22.69%
High Triumph ⁽³⁾	Beneficial owner/Personal interest	21,837,345 (L)	15.82%
Crystal Pleasant ⁽⁴⁾	Beneficial owner/Personal interest	8,036,353 (L)	5.82%
Suzhou Fudebo ⁽⁴⁾	Interest in controlled corporation/Corporate interest	8,036,353 (L)	5.82%
Mr. Song Yubo ⁽⁴⁾	Interest in controlled corporation/Corporate interest	8,036,353 (L)	5.82%
Mr. Lu Yaoping ⁽⁴⁾	Interest in controlled corporation/Corporate interest	8,036,353 (L)	5.82%
Mr. Gong Peigen ⁽⁴⁾	Interest in controlled corporation/Corporate interest	8,036,353 (L)	5.82%
Easy Flourish ⁽⁵⁾	Beneficial owner/Personal interest	8,036,353 (L)	5.82%
Zhuiyuan Caifu ⁽⁵⁾	Interest in controlled corporation/Corporate interest	8,036,353 (L)	5.82%
Zhuiyuan Venture ⁽⁵⁾	Interest in controlled corporation/Corporate interest	8,036,353 (L)	5.82%
Zhongguancun Venture ⁽⁵⁾	Interest in controlled corporation/Corporate interest	8,036,353 (L)	5.82%
Mr. Liu Chengmin ⁽⁵⁾⁽⁶⁾	Interest in controlled corporations/Corporate interest	10,179,380 (L)	7.38%
Garena Ventures ⁽⁷⁾	Beneficial owner/Personal interest	12,000,000 (L)	8.70%
Sea Limited ⁽⁷⁾	Interest in controlled corporation/Corporate interest	12,000,000 (L)	8.70%

Notes:

- (1) The letter "L" denotes a long position in our Shares.
- (2) Great Shine is wholly owned by Mr. Jia. By virtue of the SFO, Mr. Jia is deemed to be interested in the Shares in which Great Shine is interested. Ms. Yuan Qingyun is the spouse of Mr. Jia. By virtue of the SFO, Ms. Yuan Qingyun is deemed to be interested in the Shares in which Mr. Jia is interested.
- (3) High Triumph is wholly owned by Mr. Huang. By virtue of the SFO, Mr. Huang is deemed to be interested in the Shares in which High Triumph is interested. Ms. Zou Wenjing is the spouse of Mr. Huang. By virtue of the SFO, Ms. Zou Wenjing is deemed to be interested in the Shares in which Mr. Huang is interested.
- (4) Crystal Pleasant Holding Limited ("**Crystal Pleasant**") is wholly owned by 蘇州富德博企業管理諮詢合夥企業 (有限合夥) (Suzhou Fudebo Enterprise Management Consultancy Partnership Enterprise (Limited Partnership)) ("**Suzhou Fudebo**"), one of the Pre-IPO Investors (as defined in the Prospectus). Mr. Song Yubo (宋宇博) is the general partner of Suzhou Fudebo with 2.00% partnership interest in Suzhou Fudebo, and each of Mr. Lu Yaoping (陸耀平) and Mr. Gong Peigen (龔培根) is a limited partner of Suzhou Fudebo with 49.00% and 49.00% partnership interest in Suzhou Fudebo, respectively. Please refer to the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments – Background information about the existing Onshore Pre-IPO Investors" in the Prospectus for further details on Suzhou Fudebo. By virtue of the SFO, each of Mr. Song Yubo, Mr. Lu Yaoping, Mr. Gong Peigen and Suzhou Fudebo is deemed to be interested in the Shares in which Crystal Pleasant is interested.

* for identification purpose only

OTHER INFORMATION

- (5) Easy Flourish Holding Limited ("**Easy Flourish**") is wholly-owned by 北京追遠財富資本合夥企業 (有限合夥) (Beijing Zhuiyuan Caifu Capital Partnership Enterprise (Limited Partnership)) ("**Zhuiyuan Caifu**"), one of the Pre-IPO Investors. 北京追遠創業投資有限公司 (Beijing Zhuiyuan Venture Investment Co., Ltd.) ("**Zhuiyuan Venture**") is the general partner of Zhuiyuan Caifu and is controlled by Mr. Liu Chengmin (劉成敏). 北京中關村創業投資發展有限公司 (Beijing Zhongguancun Venture Investment Development Co., Ltd.) ("**Zhongguancun Venture**") is a limited partner of Zhuiyuan Caifu with approximately 34.68% partnership interest in Zhuiyuan Caifu and is ultimately controlled by 北京市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality). Please refer to the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments – Background information about the existing Onshore Pre-IPO Investors" in the Prospectus for further details on Zhuiyuan Caifu. By virtue of the SFO, each of Zhongguancun Venture, Mr. Liu Chengmin, Zhuiyuan Venture and Zhuiyuan Caifu is deemed to be interested in the Shares in which Easy Flourish is interested.
- (6) Mr. Liu Chengmin is the general partner of 天津龍淵雲騰投資管理合夥企業 (有限合夥) (Tianjin Longyuan Yunteng Investment Management Partnership Enterprise (Limited Partnership)) ("**Longyuan Yunteng**") (one of the Onshore Pre-IPO Investors (as defined in the Prospectus)), which holds 100% shareholding interest in Perfect Ranger Holding Limited ("**Perfect Ranger**"). Perfect Ranger was interested in 2,143,027 Shares. By virtue of the SFO, each of Mr. Liu Chengmin and Longyuan Yunteng is deemed to be interested in the Shares in which Perfect Ranger is interested.
- (7) Garena Ventures is wholly owned by Sea Limited. By virtue of the SFO, Sea Limited is deemed to be interested in the Shares in which Garena Ventures is interested.

Save as disclosed above, as at 30 June 2023, the Directors were not aware that any other person has any interests or short positions in the Shares and underlying Shares, which is required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which is required to be entered in the register maintained by the Company under section 336 of the SFO.

CHANGE IN DIRECTORS' INFORMATION

There has been no change in the Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

SHARE OPTION SCHEME

On 21 December 2022, the Company adopted the share option scheme (the "**Share Option Scheme**"), pursuant to which the Company may grant options to eligible participants to subscribe for the Shares subject to the terms and conditions stipulated therein. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

The total number of share options available for grant under the Share Option Scheme as at 1 January 2023 and 30 June 2023 was 13,800,000 Shares (representing 10% of the issued Shares as at the date of this report).

No share option had been granted/exercised/cancelled/lapsed under the Share Option Scheme during the six months ended 30 June 2023. As at 30 June 2023, there were no outstanding share options under the Share Option Scheme.

The total number of Shares that may be issued in respect of share options granted under all schemes of the Company during the six months ended 30 June 2023 divided by the weighted average number of Shares in issue for the six months ended 30 June 2023 was nil.

* for identification purpose only

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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To the Board of Directors of Gala Technology Holding Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Gala Technology Holding Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 19 to 36, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

OTHER MATTER

The comparative condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2022 and the relevant explanatory notes included in these condensed consolidated financial statements were extracted from the interim financial information of the Group for the six-month period ended 30 June 2022 audited by another auditor who expressed an unmodified opinion on the interim financial information on 30 December 2022. The comparative condensed consolidated statement of financial position as at 31 December 2022 was extracted from the consolidated financial statements of the Group for the year ended 31 December 2022 audited by the same auditor who expressed an unmodified opinion on those statements on 29 March 2023.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25 August 2023

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	For the six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
Revenue	3	354,399	294,775
Cost of revenue		(155,231)	(145,910)
Gross profit		199,168	148,865
Other (losses)/gains, net	4	(3,751)	1,034
Other income	5	7,042	3,594
Selling and marketing expenses		(80,455)	(73,445)
General and administrative expenses		(25,330)	(17,461)
Research and development expenses		(50,324)	(37,508)
Impairment loss under expected credit loss model, net of reversal		(647)	(1,772)
Finance (cost)/income, net		(2,383)	570
Profit before tax	6	43,320	23,877
Income tax expenses	7	(3,969)	(3,551)
Profit for the period		39,351	20,326
Other comprehensive income for the period		4,716	—
		44,067	20,326
Profit/(loss) for the period attributable to:			
— Owners of the Company		39,313	20,374
— Non-controlling interests		38	(48)
		39,351	20,326
Profit and other comprehensive income/(expense) attributable to:			
Owners of the Company		44,029	20,374
Non-controlling interests		38	(48)
		44,067	20,326
Earnings per share for profit attributable to owners of the Company (RMB per share)			
— Basic and diluted	8	0.29	0.18

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	Notes	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	5,194	6,633
Right-of-use assets		7,582	10,747
Intangible assets	10	100,136	39,674
Prepayments, deposits and other receivables	12	5,655	5,907
Financial assets at FVTPL	16	14,572	—
Deferred tax assets		2,234	3,598
		135,373	66,559
Current assets			
Trade receivables	11	33,108	43,023
Prepayments, deposits and other receivables	12	31,042	11,660
Contract costs		6,888	16,452
Cash and cash equivalents		285,406	232,566
		356,444	303,701
Total assets		491,817	370,260
EQUITY AND LIABILITIES			
Capital and Reserve			
Share capital	13	1,186	8
Share premium		130,891	—
Other reserves		89,304	84,588
Retained earnings		78,203	38,890
		299,584	123,486
Non-controlling interests		(834)	(872)
Total equity		298,750	122,614

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	Notes	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
Non-current liabilities			
Trade payables	14	61,000	15,083
Other payables	15	51	466
Lease liabilities		977	4,475
		62,028	20,024
Current liabilities			
Trade payables	14	56,904	44,121
Other payables and accruals	15	29,697	50,396
Current income tax liabilities		12,019	7,428
Contract liabilities		24,935	49,633
Lease liabilities		7,484	6,651
Financial liability at FVTPL	16	—	69,393
		131,039	227,622
Total liabilities		193,067	247,646
Total equity and liabilities		491,817	370,260

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Translation reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023 (audited)	8	—	84,588	—	38,890	123,486	(872)	122,614
Profit for the period	—	—	—	—	39,313	39,313	38	39,351
Other comprehensive income for the period	—	—	—	4,716	—	4,716	—	4,716
Profit and other comprehensive income for the period	—	—	—	4,716	39,313	44,029	38	44,067
Issue of shares by capitalisation of share premium account (Note 13(i))	968	(968)	—	—	—	—	—	—
Issue of new shares (Note 13(ii))	107	69,287	—	—	—	69,394	—	69,394
Transaction costs attributable to issuance of shares	—	(6,718)	—	—	—	(6,718)	—	(6,718)
Issue of shares on conversion of Pre-IPO Convertible Bonds (Note 13(iii))	103	69,290	—	—	—	69,393	—	69,393
At 30 June 2023 (unaudited)	1,186	130,891	84,588	4,716	78,203	299,584	(834)	298,750
At 1 January 2022 (audited)	8	—	79,555	—	29,629	109,192	(1,879)	107,313
Profit/(loss) and other comprehensive income/(expense) for the period	—	—	—	—	20,374	20,374	(48)	20,326
Acquisition of non-controlling interests in a subsidiary	—	—	(2,103)	—	—	(2,103)	1,063	(1,040)
At 30 June 2022 (audited)	8	—	77,452	—	50,003	127,463	(864)	126,599

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	For the six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
NET CASH FROM OPERATING ACTIVITIES		40,059	11,835
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	10	(818)	(2,504)
Purchase of intangible assets		(24,418)	(6,514)
Purchase of financial assets at FVTPL		(74,302)	(19,800)
Proceeds from disposal of financial assets at FVTPL		61,473	19,845
Repayment from related parties	17(b)	—	36
Proceeds from disposal of short-term deposits		—	83
Advance to a third party		(16,000)	—
NET CASH USED IN INVESTING ACTIVITIES		(54,065)	(8,854)
FINANCING ACTIVITIES			
Proceeds from issue of shares		69,394	—
Payment for listing expenses		(2,429)	(1,170)
Payment for principal elements of lease liabilities		(2,665)	(2,746)
Interest paid		(241)	(349)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		64,059	(4,265)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		50,053	(1,284)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		232,566	188,410
Effect of foreign exchange rate changes		2,787	1,367
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		285,406	188,493

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 12 June 2018 as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company's shares were listed on the Main Board of the Stock Exchange on 16 January 2023.

The Company is an investment holding company and its subsidiaries are principally engaged in the mobile sports game development, publishing and operation in the PRC.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") "Interim Financial Reporting" issued by the HKICPA as well as the applicable disclosure requirements of Appendix 16 to the Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional/change in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (Continued)

In July 2023, the HKICPA issued the amendments to HKAS 12 to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments require that entities shall apply the amendments immediately upon issuance.

The application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision maker. As a result of this evaluation, the Directors consider that the Group's operations are operated and managed as a single segment, which is mobile sports game development, publishing and operation mainly in the PRC, and no segment information is presented, accordingly.

Revenue for the six months ended 30 June 2023 and 2022 are as follows:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
Web-based and mobile online game revenue — over time	354,399	294,775

The Group is mainly domiciled in the PRC. Majority of revenue are derived in the PRC and no revenue are derived from any other individual country exceeded 10% or more of the Group's revenue during the six months ended 30 June 2023 and 30 June 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

4. OTHER (LOSSES)/GAINS, NET

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
Fair value gains on financial assets measured at FVTPL	574	45
Fair value gain on extension of a financial liability measured at FVTPL	—	3,065
Fair value loss on a financial liability measured at FVTPL	—	(4,379)
Exchange (loss)/gain, net	(3,977)	2,245
Others	(348)	58
	(3,751)	1,034

5. OTHER INCOME

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
Government grants (Note)	3,928	2,706
Others	3,114	888
	7,042	3,594

Note: The amounts represent the Group's entitlement to value-added tax refund and subsidies for technological innovation received from the local government grants in the PRC. There are no unfulfilled conditions or other contingencies attaching to these grants and refund. The Group did not benefit directly from any other forms of government assistance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

6. PROFIT BEFORE TAX

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
Profit for the period has been arrived at after charging/(crediting):		
Listing expenses (included in general and administrative expenses)	274	5,693
Staff costs:		
Directors' emoluments	1,678	1,326
Other staff costs:		
Wages, salaries and bonuses	54,757	37,564
Social security costs, housing provident fund and other staff cost	13,999	10,268
	70,434	49,158
Depreciation of property, plant and equipment	1,625	1,106
Depreciation of right-of-use assets	3,047	3,123
Amortisation of intangible assets	18,679	9,012
Total depreciation and amortisation	23,351	13,241

7. INCOME TAX EXPENSES

The income tax expenses of the Group for the six months ended 30 June 2022 and 2023 is analysed as follows:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
Current tax:		
PRC Enterprise Income Tax	2,827	4,421
Hong Kong profits tax	789	49
Overprovision in prior years:		
PRC Enterprise Income Tax	(1,011)	—
Deferred tax	1,364	(919)
Income tax expenses	3,969	3,551

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

7. INCOME TAX EXPENSES (CONTINUED)

(i) Hong Kong

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of taxable profits of qualifying group entity will be taxed at 8.25%, and taxable profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% for the six months ended 30 June 2023 and 30 June 2022 on the assessable profits.

(ii) PRC Enterprise Income Tax (“EIT”)

The income tax provision of the Group in respect of its operations in the PRC was calculated at the tax rate of 25% for the six months ended 30 June 2023 and 30 June 2022 on the assessable profits, except for stated below, based on the existing legislation, interpretations and practices in respect thereof.

Wangchen Technology was subject to EIT rate of 15% for the six months ended 30 June 2023 since Wangchen Technology has fulfilled the requirement of the “Preferential Enterprise Income Tax Treatment for Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone” from 1 January 2023 (six months ended 30 June 2022: 15%), and the enacted tax rate for the related deferred taxation was adjusted accordingly.

Shenzhen Wangchen Moji Technology Co., Ltd has fulfilled the requirement of the “Notice of the State Council on Printing and Distributing Several Policies for Promoting the High-quality Development of the Integrated Circuit Industry and Software Industry in the New Era” (Guo Fa [2020] No.8) and it is subject to a reduced preferential EIT tax rate of 12.5% for the six months ended 30 June 2023 (six months ended 30 June 2022: 0%).

(iii) PRC Withholding Tax (“WHT”)

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

During the six months ended 30 June 2023 and 2022, the Group did not require its PRC subsidiaries to distribute their retained earnings to foreign investors, and the Group is able to control the timing of the reversal of the temporary differences arising from the unremitted earnings of these PRC subsidiaries and it is probable that the temporary differences will not reverse in the foreseeable future. Accordingly, no deferred income tax liability on WHT was accrued as at 30 June 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

8. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

During the six months ended 30 June 2022, the weighted average number of ordinary shares used for the purpose of basic earnings per share had been retrospectively adjusted for the effects of the issue of shares in connection with the capitalisation issue of 112,580,000 shares which took place on 16 January 2023.

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Audited)
Profit attributable to the owners of the Company (RMB'000)	39,313	20,374
Weighted average number of ordinary shares in issue (thousand shares)	135,976	113,580
Basic earnings per share attributable to the owners of the Company (RMB per share)	0.29	0.18

(b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit attributable to ordinary equity holders of the Company, adjusted to reflect the impact from any dilutive potential ordinary shares issued by the Company, as appropriate. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares assumed to have been issued on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

In June 2021, the Company issued convertible bonds in the principal amount of HK\$77,112,000 (equivalent to RMB64,163,000).

The conversion feature of the convertible bonds is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2022, therefore the conversion feature of the Pre-IPO Convertible Bonds has no dilutive effect on earnings per share calculation. On 16 January 2023, the shares of the Company were listed on the Main Board of the Stock Exchange with offer price of HK\$6.5 per share. The Pre-IPO Convertible Bonds was automatically converted into 12,000,000 shares of the Company on the same day, representing approximately 8.70% of the issued share capital of the Company, therefore conversion feature of convertible bonds has dilutive effect on earnings per share calculation for the six months ended 30 June 2023.

9. DIVIDENDS

No dividends were paid, declared or proposed for the six months ended 30 June 2022 and 30 June 2023. The Directors have determined that no dividend will be paid in respect of the six months ended 30 June 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

10. PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

During the six months ended 30 June 2023, the Group incurred RMB818,000 (six months ended 30 June 2022: RMB2,504,000) for acquisition of office equipment, furniture and fixtures. During the six months ended 30 June 2023, the Group paid nil (six months ended 30 June 2022: RMB366,000) for addition of leasehold improvement.

During the six months ended 30 June 2023, the Group incurred RMB79,142,000 (six months ended 30 June 2022: RMB3,920,000) and nil (six months ended 30 June 2022: RMB872,000) for acquisition of licenses, which represent the IP rights licenses used in games with a license period of 1 to 5 years, and software, respectively.

11. TRADE RECEIVABLES

	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
Trade receivables	35,804	45,072
Less: Allowance for credit losses	(2,696)	(2,049)
Trade receivables, net	33,108	43,023

The credit terms of trade receivables granted by the Group are normally from 30 to 90 days. An aging analysis of trade receivables based on recognition date is as follows:

	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
Up to 3 months	32,908	42,029
3 months to 1 year	1,028	2,360
Over 1 year	1,868	683
	35,804	45,072

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FOR THE SIX MONTHS ENDED 30 JUNE 2023

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
Deposits	1,629	1,563
Prepayment for selling and marketing expenses	8,344	3,743
Prepayment for listing expenses	—	4,804
Loan receivable (note)	16,000	—
Other prepayments	7,970	5,958
Other receivables	2,754	1,499
	36,697	17,567
Analysed as:		
Current	31,042	11,660
Non-current	5,655	5,907
	36,697	17,567

Note: Amount is due from an independent third party, unsecured, carries interest of 5% per annum, repayable in 12 months. The amount was subsequently settled in full.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

13. SHARE CAPITAL

	Number of shares	Share capital HK\$'000	Share capital RMB'000
Ordinary shares of HK\$0.01 each			
Authorised:			
As at 1 January 2022, 30 June 2022, 31 December 2022 and 30 June 2023	10,000,000,000	100,000	82,570
Issued and fully paid:			
As at 1 January 2022, 30 June 2022 and 31 December 2022	1,000,000	10	8
Capitalisation issue (note i)	112,580,000	1,126	968
Issue of new shares upon Listing (note ii)	12,420,000	124	107
Issue of shares on conversion of Pre-IPO Convertible Bonds (note iii)	12,000,000	120	103
As at 30 June 2023	138,000,000	1,380	1,186

Notes:

- (i) On 16 January 2023, the Company issued additional 112,580,000 shares by way of capitalisation of HK\$1,125,800 (equivalent to RMB968,000) standing to the credit of the Company's share premium account.
- (ii) On 16 January 2023, the shares of the Company were listed on the Main Board of the Stock Exchange with an offer price of HK\$6.5 per share. Upon Listing, the Company issued a total of 12,420,000 shares for total proceeds (before related fees and expenses) of HK\$80,730,000 (equivalent to RMB69,394,000).
- (iii) On 16 January 2023, the Pre-IPO Convertible Bonds of HK\$78,000,000 (equivalent to RMB69,393,000) issued by the Company were converted into 12,000,000 shares of the Company, representing approximately 8.70% of the issued number of shares of the Company after the conversion.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

14. TRADE PAYABLES

Trade payables primarily consist of the license fee and royalty fee payable to the licensors for the rights to use the IP of certain football and basketball athletes in the Group's developed games in specified geographic areas for certain period of time.

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

	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
0-90 days	116,741	53,274
91-365 days	1,163	1,180
1-2 years	—	—
Over 2 years	—	4,750
	117,904	59,204
Analysed as:		
Current	56,904	44,121
Non-current	61,000	15,083
	117,904	59,204

15. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
Payroll and welfare payables	9,941	14,683
Other tax payables	16,368	14,192
Accrued expenses	1,819	19,312
Advance from the publishers	1,620	2,420
Others	—	255
	29,748	50,862
Analysed as:		
Current	29,697	50,396
Non-current	51	466
	29,748	50,862

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FOR THE SIX MONTHS ENDED 30 JUNE 2023

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables present the Group's financial instruments that are measured at fair value as at 30 June 2023 and 31 December 2022 by fair value hierarchy:

	Level 2 RMB'000
At 30 June 2023 (unaudited)	
Financial assets	
Financial assets at FVTPL	14,572
At 31 December 2022 (audited)	
Financial liabilities	
Pre-IPO Convertible Bonds	69,393

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)		
Financial assets at FVTPL other than derivative financial instruments				
Unlisted funds (note)	14,572	N/A	Level 2	Price provided by the financial institution with reference to underlying investment portfolios which have observable quoted price in active markets.
Financial liabilities				
Pre-IPO Convertible Bonds	N/A	69,393	Level 2	Valuation estimated by the management by reference to offer price of the Company of HK\$6.5 per share.

Note: The unlisted funds represent a portfolio of investments managed by fund managers, most of the portfolio assets are invested in the listed securities in Hong Kong, the United States of America and the PRC. These investments are not held for trading, instead, they are held for long-term capital appreciation purposes. The Group is not expected to realise the funds within twelve months from the end of the reporting period, therefore, the unlisted funds are classified as non-current assets. Proceeds from the issue of shares under the Listing were not used in the acquisition of unlisted funds.

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)**(b) Fair value measurements and valuation processes**

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The accounting team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The fluctuations in the fair value of the assets and liabilities are explained to the Board.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

The Directors consider that there has been no changes in the business or economic circumstances that affect the fair value of the Group's financial instruments.

The Directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost recognised in the condensed consolidated financial statements approximate their fair values at 30 June 2023 and 31 December 2022.

17. RELATED PARTY TRANSACTIONS

The following significant transactions were carried out between the Group and its related parties during the six months ended 30 June 2022 and 2023.

(a) Names and relationship with related party

The following individual is related party of the Group that had balances and/or transactions with the Group during the six months ended 30 June 2022 and 2023.

Related party	Relationship
Mr. Guo Yuheng	A senior management personnel of the Company

(b) Loans to key management

During the six months ended 30 June 2022, Mr. Guo Yuheng had repaid all the loan due to the Group amounting to RMB36,000. The Group had no outstanding loans to key management as at 30 June 2023 and 31 December 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

Key management includes executive Directors and senior management. The compensation paid or payable to key management, including Directors' remuneration, is shown below:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
Wages, salaries and bonuses	3,057	3,012
Other social security costs and housing benefits and other employee benefits	328	160
Total	3,385	3,172

18. CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As at 30 June 2023 (Unaudited) RMB'000	As at 31 December 2022 (Audited) RMB'000
Intangible assets	4,246	92,281