

2024

INTERIM REPORT

中期報告



XD Inc. 心动有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 2400

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01

CORPORATE
INFORMATION

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Yimeng (*Chairman and Chief Executive Officer*)
Mr. Dai Yunjie
Mr. Fan Shuyang

Non-executive Director

Mr. Wu Meng

Independent Non-executive Directors

Mr. Pei Dapeng
Mr. Xin Quandong
Ms. Liu Qianli

AUDIT COMMITTEE

Mr. Xin Quandong (*Chairman*)
Mr. Pei Dapeng
Ms. Liu Qianli

REMUNERATION AND APPRAISAL COMMITTEE

Ms. Liu Qianli (*Chairman*)
Mr. Dai Yunjie
Mr. Xin Quandong

NOMINATION COMMITTEE

Mr. Pei Dapeng (*Chairman*)
Mr. Huang Yimeng
Ms. Liu Qianli

STRATEGY AND DEVELOPMENT COMMITTEE

Mr. Huang Yimeng (*Chairman*)
Mr. Dai Yunjie
Mr. Wu Meng
Mr. Pei Dapeng

JOINT COMPANY SECRETARIES

Mr. Fan Shuyang
Mr. Chung Ming Fai

AUTHORIZED REPRESENTATIVES

Mr. Fan Shuyang
Mr. Chung Ming Fai

AUDITOR

PricewaterhouseCoopers
(*Public Interest Entity Auditors registered in accordance with the Accounting and Financial Reporting Council Ordinance*)
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Central
Hong Kong

REGISTERED OFFICE

Campbells Corporate Services Limited
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Cayman Islands

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PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

HONG KONG LEGAL ADVISER

Linklaters
11th Floor, Alexandra House
Chater Road
Central, Hong Kong

PRINCIPAL BANKS

China Merchants Bank (Shanghai Branch, Daning Sub-branch)
China Citic Bank (Shanghai Branch, Daning Sub-branch)

WEBSITE

2400.hk

STOCK CODE

2400

02

HIGHLIGHTS

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	For the six months ended June 30,		
	2024 (RMB'000) (Unaudited)	2023 (RMB'000) (Unaudited)	Change %
Revenue	2,220,567	1,753,102	26.7
Gross profit	1,496,811	1,037,261	44.3
Profit for the period	250,579	102,788	143.8
Profit attributable to equity holders of the Company	205,102	90,194	127.4
Adjusted profit for the period*	278,811	129,647	115.1
Adjusted profit attributable to equity holders of the Company*	237,290	112,979	110.0

* To supplement our consolidated financial statement which are presented in accordance with IFRS, we also use adjusted profit for the period and adjusted profit attributable to equity holders of the Company as an additional financial measure to evaluate our financial performance by eliminating the impact of fair value changes on long-term investments measured at fair value through profit or loss, and share-based compensation expenses. See "Non-IFRS Measures" for details.

KEY OPERATING INFORMATION

	For the six months ended June 30,		
	2024 (in thousands)	2023 (in thousands)	Change %
Online Games			
Average MAUs ⁽¹⁾	9,534	13,269	-28.1
Average MPUs ⁽²⁾	1,092	1,389	-21.4
TapTap			
Average App MAUs in TapTap PRC	43,242	33,967	27.3
Average App MAUs in TapTap International	5,066	7,135	-29.0

(1) Our average MAUs for online games are calculated by dividing the aggregate of the total MAUs of each online game for the respective period by the number of months of that period.

(2) Our average MPUs for online games are calculated by dividing the aggregate of the total MPUs of each online game for the respective period by the number of months of that period.

03

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

In the first half of 2024, certain measures previously adopted for cost reduction and efficiency enhancement have achieved encouraging outcome, and the successful launch of new self-developed games has driven the growth in game revenue and accelerated the development of our platform business. With the combined effect of these factors, we recorded significant increase in revenue and gross profit, with appropriate control over our expenses, and we have successfully achieved an adjusted EBITDA of RMB319.3 million, representing an increase of 72.7% on a period-over-period basis.

In terms of game business, we completed the launch of GoGo Muffin (出發吧麥芬) in Hong Kong, Macau, Taiwan market and in Chinese Mainland market in January and May 2024, respectively, which has achieved outstanding results. Albeit the decrease in revenue from some of our existing old games, three new self-developed games, namely GoGo Muffin (出發吧麥芬), Sword of Convallaria (鈴蘭之劍) and Torchlight: Infinite (火炬之光：無限), contributed to new revenue growth, resulting in the increase in our revenue from game business by 29.3% as compared with the corresponding period last year. In July 2024, the launch of our self-developed game Heartopia (心動小鎮) in Chinese Mainland market went viral, with over 25 million downloads in the first month after launch. In respect of our platform business, while TapTap had experienced drop in the App MAUs in TapTap PRC in 2023, we have regained growth momentum upon several adjustments. During the first half of 2024, the average MAUs of the TapTap PRC App increased by 27.3% to 43.2 million on a period-over-period basis. The close cooperation between TapTap and Heartopia (心動小鎮) on its launch helped TapTap attract an enormous number of new users and gained a wider brand recognition. In addition, we have completed the filing procedure for our generative artificial intelligence services TapSight and we hope to further enhance our capability to serve the users through this technology in the future. In the long run, upholding our vision "to impact each and every gamer by promoting the spirit of craftsmanship", we are committed to continuously offering high quality games to players across the world and supporting developers to create and distribute games in a more convenient way.

The following is an overview of our main products and services:

Our Games

As of June 30, 2024, our portfolio consisted of 20 online games and 33 premium games.

Online Games

In the first half of 2024, the average MAUs of our online games decreased by 28.1% on a period-over-period basis, while the average MPUs decreased by 21.4% on a period-over-period basis. The decrease in these two figures was primarily attributable to a decrease in number of users of Sausage Man (香腸派對) as compared with 2023. Such decline was partially offset by an increase in number of users as a result of the launch of two new games, namely GoGo Muffin (出發吧麥芬) and Sword of Convallaria (鈴蘭之劍). For the six months ended June 30, 2024, GoGo Muffin (出發吧麥芬), Sausage Man (香腸派對), Sword of Convallaria (鈴蘭之劍), Torchlight: Infinite (火炬之光：無限) and Ragnarok M (仙境傳說M) were our top five games in terms of its revenue contribution. An overview of our major games at present is as follows:

- GoGo Muffin (出發吧麥芬): this self-developed incremental mobile game was launched in Hong Kong, Macau and Taiwan in January 2024 and in the domestic market in China in May 2024. With a fresh and delightful artwork, coupled with a gameplay that allows for social interaction and strategic planning, the game went viral after its launch and achieved outstanding results. The game is expected to be gradually launched in various overseas countries and regions in the second half of 2024.
- Sausage Man (香腸派對): the game was launched in China in April 2018 and it has been over six years since it was released. During the Chinese New Year of 2023, the game had reached a new peak in terms of active users and revenue. However, after the Chinese New Year, the number of active users and revenue began to decrease, which was due to (i) the decrease in the amount of time that people spent on online games after the lifting of the PRC's restrictive policies related to the pandemic; and (ii) the impact of several competing games being launched. Both MAUs and MPUs of the game declined in the first half of 2024 as compared with the corresponding period last year. However, as a battle arena game, we believe that the game still maintains a huge number of players in the China market and has the potential of bouncing back. Accordingly, we have continued to make adjustments to the research and development and publication plan of the game for 2024, aiming to enhance its performance.
- Sword of Convallaria (鈴蘭之劍): the game was launched in Hong Kong, Macau and Taiwan in August 2023 and was launched in the domestic market in China in November 2023. The game has received widespread acclaim by SLG game players for its exquisite pixel art style and solid gameplay. The game has been launched in various overseas countries and regions in August 2024.
- Torchlight: Infinite (火炬之光：無限): the game was launched in overseas market outside China in October 2022 and launched in the domestic market in China in May 2023. After continuously running for 7 seasons, the game has been recognized by the fans of diablo-like games. In the future, it is hoped that the more attractive seasonal updates will bring more gamers to the game.
- Ragnarok M (仙境傳說M): upon its launch in China in January 2017, the game was subsequently released in many countries and regions worldwide. The game is currently at its maturity stage. Due to the impact of the life cycle of the game, its revenue decreased for a certain extent in the first half of 2024 as compared with the corresponding period last year. In April 2024, the Ragnarok M novice version was released in the domestic market in China and obtained popularity among players. We plan to launch the novice version in overseas market in the future.

Games in Development

We regard our self-developed games as one of the cornerstones of our growth, and we have made a large scale of investment in research and development of games. As at June 30, 2024, we had 727 employees engaged in game development, representing a decrease of 19 employees from December 31, 2023. In 2023, in pursuit of our goal of cost reduction and efficiency enhancement, we gradually ceased or adjusted the research and development of some game projects, while in 2024, our game research and development business experienced stable growth upon the release and the success of some self-developed games as well as the establishment of new research and development projects. As of June 30, 2024, we had 3 online games in development. Among them, our self-developed life simulation game, Heartopia (心動小鎮) has been launched in the domestic market of China in July 2024 and gained high popularity among players, evident by reaching the top of the game download chart of App Store for several times.

Premium Games

Premium games constitutes a special business component of XD that meets the demand of mobile game users for high-quality, pay-to-play games and adds ecological diversity to the TapTap platform. In the first half of 2024, numerous premium games such as Forager (浮島冒險) had been newly launched, while games which had been previously released, namely Rotaeno (旋轉音律) and Terraria (泰拉瑞亞), maintained healthy performance. For the second half of 2024, we plan to publish Hero's Adventure (大俠立誌傳) mobile version, Enter the Gungeon (挺進地牢) mobile version, etc., and will release more excellent games in different platforms.

TapTap

TapTap is our key competitiveness and one of the cornerstones of our growth. We rely on game development and publishing to provide TapTap with high-quality exclusive content, which drives TapTap's user growth. In the meantime, TapTap's own product and operation advantages will help retain users and generate revenue, which will then feed the content creation of both first-party and third-party developers through TapTap and in turn generate more quality content and continue to drive the further growth of TapTap.

TapTap PRC

For the six months ended June 30, 2024, the average App MAUs of TapTap PRC was 43.2 million, representing an increase of 27.3% as compared with the corresponding period last year. Such increase in MAUs was mainly because (i) in the first half of 2024, some highly popular mobile games were launched in the domestic market of China, and among them, some even entered into exclusive or in-depth cooperations with TapTap; and (ii) there were increase of marketing campaigns for TapTap and the introduction of new marketing and promotion strategies. In the first half of 2024, we have restricted ad-load rate on TapTap, which made our advertising system more simple and transparent. Albeit the short-term and mild adverse impact to the advertising revenue, it is beneficial to the improvement of user experience and long-term sustainable growth. We have also strengthened support for high-quality pay-to-play games for gaining more exposure. Meanwhile, TapTap's server and bandwidth costs had been optimized, resulting in reduction of these costs per user compared to the corresponding period last year.

In June and July 2024, we successfully hosted the 5th Annual TapTap Presents and Developers Workshop, which received a positive response.

TapTap International

For the six months ended June 30, 2024, the average App MAUs of TapTap International was 5.1 million, representing a decrease of 29.0% on a period-over-period basis. The decrease in MAUs on a period-over-period basis was mainly attributable to (i) the significant decrease in number of users from India due to the impacts of certain popular games; and (ii) the significant reduction in our overseas marketing and advertising activities for cost control purposes.

In 2024, our international team had been optimized, and we have begun to establish brand awareness and a good reputation in assisting developers to conduct overseas testing and publication of their new games. Currently, our target is not limited to focus on overall MAUs growth, but to build up a good community ambiance and increase the user penetration rate by targeting specific key markets.

FINANCIAL REVIEW

Revenue

Our revenue is mainly derived from (i) games, the principal operating business where we generate revenue primarily from sales of in-game virtual items in online games and sales of premium games through third-party and our proprietary distribution platforms; and (ii) TapTap platform, where we generate revenue primarily from providing online marketing services on TapTap. The following table sets forth our revenue by line of business for the six months ended June 30, 2024 and 2023.

	For the six months ended June 30,			
	2024		2023	
(Unaudited)	Amount	% of revenue	Amount	% of revenue
	(RMB in thousands, except for percentages)			
Games	1,486,257	66.9	1,149,870	65.6
Game operating	1,481,074	66.7	1,144,657	65.3
Online games	1,425,896	64.2	1,080,122	61.6
Premium games	55,178	2.5	64,535	3.7
Others	5,183	0.2	5,213	0.3
TapTap platform	734,310	33.1	603,232	34.4
Total revenue	2,220,567	100.0	1,753,102	100.0

Games

Our revenue from game business increased by 29.3% to RMB1,486.3 million for the six months ended June 30, 2024 on a period-over-period basis. In particular,

- Our revenue from online games increased by 32.0% to RMB1,425.9 million for the six months ended June 30, 2024 on a period-over-period basis, primarily due to (i) the increase in revenue from newly launched games GoGo Muffin (出發吧麥芬) and Sword of Convallaria (鈴蘭之劍), and (ii) partially offset by the decrease in revenue from certain existing games; and
- Our revenue from premium games decreased by 14.5% to RMB55.2 million for the six months ended June 30, 2024 on a period-over-period basis, primarily due to a decrease in revenue from certain existing premium games, and partially offset by newly launched premium games.

The following table sets forth a breakdown of our game operating revenue by revenue recognition method for the six months ended June 30, 2024 and 2023.

	For the six months ended June 30,			
	2024		2023	
(Unaudited)	Amount	%	Amount	%
	(RMB in thousands, except for percentages)			
Revenue recognized on a gross basis	1,413,438	95.4	1,044,393	91.2
Revenue recognized on a net basis	67,636	4.6	100,264	8.8
Total game operating revenue	1,481,074	100.0	1,144,657	100.0

Our game operating revenue recognized on a gross basis increased by 35.3% to RMB1,413.4 million for the six months ended June 30, 2024 on a period-over-period basis, primarily due to the increase in revenue from newly launched games GoGo Muffin (出發吧麥芬) and Sword of Convallaria (鈴蘭之劍), and partially offset by the decrease in revenue from certain existing games. Our game operating revenue recognized on a net basis decreased by 32.5% to RMB67.6 million for the six months ended June 30, 2024 on a period-over-period basis, primarily due to the decrease in revenue from Ragnarok M (仙境傳說M).

TapTap platform

Our revenue from TapTap platform business increased by 21.7% to RMB734.3 million for the six months ended June 30, 2024 on a period-over-period basis. This increase in revenue is mainly attributable to (i) the average App MAUs of TapTap PRC increased by 27.3% to 43.2 million for the six months ended June 30, 2024 on a period-over-period basis, and (ii) partially offset by the effect of reduction in advertising revenue as a result of lowered ad-load rate, by our own volition, to enhance user experience and ensure long-term success.

We have yet monetized TapTap International.

Cost of Revenues

Our cost of revenues increased by 1.1% to RMB723.8 million for the six months ended June 30, 2024 on a period-over-period basis. The following table sets forth our cost of revenues by line of business for the six months ended June 30, 2024 and 2023.

	For the six months ended June 30,			
	2024		2023	
	Amount	% of segment revenue	Amount	% of segment revenue
(Unaudited)	(RMB in thousands, except for percentages)			
Games	595,409	40.1	606,367	52.7
TapTap platform	128,347	17.5	109,474	18.1
Total	723,756	32.6	715,841	40.8

Our cost of revenues for game business primarily consists of sharing of proceeds to game developers and commissions charged by distribution platforms and payment channels where we act as a principal, bandwidth and servers custody fee and employee benefits expenses. Our cost of revenues for TapTap platform business primarily consists of bandwidth and servers custody fee and employee benefits expenses. The following table sets forth our cost of revenues by nature for the six months ended June 30, 2024 and 2023.

(Unaudited)	For the six months ended June 30, 2024		2023	
	Amount	%	Amount	%
	(RMB in thousands, except for percentages)			
Sharing of proceeds to game developers	184,852	25.5	295,049	41.2
Commissions charged by distribution platforms and payment channels	303,830	42.0	172,765	24.1
Bandwidth and servers custody fee	119,451	16.5	120,495	16.8
Employee benefits expenses	67,332	9.3	60,268	8.4
Professional and technical services fee	31,886	4.4	37,231	5.2
Amortization of intangible assets	10,837	1.5	16,357	2.3
Others	5,568	0.8	13,676	2.0
Total	723,756	100.0	715,841	100.0

Our cost of revenues for game business decreased by 1.8% to RMB595.4 million for the six months ended June 30, 2024 on a period-over-period basis, primarily attributable to (i) the decrease in sharing of proceeds to game developers and commissions charged by distribution platforms, which were mainly due to the decreases in revenue from Sausage Man (香腸派對), Ulala (不休的烏拉拉) and other licensed games; (ii) the decreases in bandwidth and servers custody fee, which were mainly due to the decrease in online game average MAUs; and (iii) partially offset by the increase in commissions charged by distribution platforms and payment channels, which was in line with the increase in our game revenue.

Our cost of revenues for TapTap platform business increased by 17.2% to RMB128.3 million for the six months ended June 30, 2024 on a period-over-period basis, primarily attributable to (i) the increase in bandwidth and servers custody fee, which was due to the increase in the average App MAUs of TapTap PRC, and partially offset by the implementation of technical optimization measure, and (ii) the increase in employee benefits expenses.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 44.3% to RMB1,496.8 million for the six months ended June 30, 2024 on a period-over-period basis. Our gross margin was 67.4% for the six months ended June 30, 2024, which was higher than the gross margin for the six months ended June 30, 2023, primarily due to (i) the improvement in the gross margin of game segment from 47.3% for the six months ended June 30, 2023 to 59.9% in the corresponding period of 2024, as a result of the increases in revenues from self-developed games such as GoGo Muffin (出發吧麥芬), Sword of Convallaria (鈴蘭之劍) and Torchlight: Infinite (火炬之光:無限), which generally enjoyed higher gross margins than licensed games; and (ii) an improvement in gross margin of TapTap platform segment from 81.9% for the six months ended June 30, 2023 to 82.5% in the corresponding period of 2024. This improvement in gross margin was partially offset by the decrease in the contribution of revenue from our TapTap platform business to our total revenue from 34.4% for the six months ended June 30, 2023 to 33.1% in the same corresponding period of 2024, which generally enjoyed a higher gross margin than the game business.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) promotion and advertising expenses paid to external advertising agencies and professional information dissemination companies; and (ii) employee benefit expenses relating to our selling and marketing personnel.

Our selling and marketing expenses increased by 110.4% to RMB695.3 million for the six months ended June 30, 2024 on a period-over-period basis. This was primarily attributable to (i) promotion and advertising expenses for newly launched games GoGo Muffin (出發吧麥芬) and Sword of Convallaria (鈴蘭之劍); and (ii) the increased marketing expenses of TapTap PRC.

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee benefits expenses relating to our research and development employees; and (ii) professional and technical services fees including art design and technical support for our games.

Our research and development expenses decreased by 20.5% to RMB419.5 million for the six months ended June 30, 2024 on a period-over-period basis. This was primarily due to (i) the decrease in the number of our research and development personnel from 1,143 as at June 30, 2023 to 997 as at June 30, 2024, as a result of game projects restructuring and staff optimization; and (ii) in the first half of 2024, we recorded a one-off share option claw-back of RMB20.8 million in relating to certain former research and development employees.

General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) employee benefits expenses relating to our administrative employees; (ii) professional and technical services fees, such as fees paid to audit and law firms; (iii) office expenses incurred in the ordinary course of business; and (iv) depreciation of property, plant and equipment and right-of-use assets in connection with our office space in Shanghai.

Our general and administrative expenses increased by 35.9% to RMB138.3 million for the six months ended June 30, 2024 on a period-over-period basis. This was primarily due to the increase of RMB31.8 million in share-based compensation expenses.

Other Gains, Net

Our other gains, net primarily consist of net foreign exchange gains and net gain on repurchase of convertible bonds.

Our net foreign exchange gains was RMB11.8 million for the six months ended June 30, 2024, comparing a net foreign exchange gains of RMB1.2 million for the six months ended June 30, 2023. This was primarily due to appreciation of USD/RMB and USD/SGD exchange rates in the first half of 2024. Our net gain on repurchase of convertible bonds was RMB5.0 million for the six months ended June 30, 2024.

Income Tax Expenses

We recorded income tax expenses of RMB31.5 million for the six months ended June 30, 2024, compared to income tax expenses of RMB45.0 million for the corresponding period in 2023. Among which, we recorded a current income tax expense of RMB3.9 million and a deferred income tax expense of RMB27.6 million in relation to the deferred tax assets we recognized in previous years.

Profit for the Period

Our profit for the period was RMB250.6 million for the six months ended June 30, 2024, comparing a net profit of RMB102.8 million for the six months ended June 30, 2023.

Profit for the Period Attributable to Equity Holders of the Company

Our profit for the period attributable to equity holders of the Company was RMB205.1 million for the six months ended June 30, 2024, comparing a net profit for the period attributable to equity holders of the Company of RMB90.2 million for the corresponding period of 2023.

Our profit for the period attributable to non-controlling interests belonged to non-controlling interests in (i) Yiwan (Shanghai) Network Science and Technology Co., Ltd. (易玩(上海)網絡科技有限公司) (“**Yiwan**”); (ii) Shanghai Longcheng Network Technology Co., Ltd. (“**Longcheng**”); (iii) X.D. Global (HK) Limited; and (iv) Taptap Holding Limited.

Other Financial Information

The following table reconciles our operating profit to our EBITDA and adjusted EBITDA for the periods presented:

	For the six months ended June 30,	
	2024 (RMB'000) (Unaudited)	2023 (RMB'000) (Unaudited)
Operating profit	270,513	122,693
Adjustments		
Other income	(5,440)	(39,365)
Other gains, net	(20,523)	(4,170)
Depreciation of property, plant and equipment and right-of-use assets	32,625	57,666
Amortization of intangible assets	13,847	21,352
EBITDA	291,022	158,176
Share-based compensation expenses	28,232	26,636
Adjusted EBITDA	319,254	184,812

Non-IFRS Measures

To supplement our consolidated financial information which is presented in accordance with IFRS, we set forth below our adjusted profit for the period and adjusted profit attributable to equity holders of the Company as an additional financial measure which is not presented in accordance with IFRS. We believe those non-IFRS financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain items, namely (i) fair value changes on long-term investments measured at fair value through profit or loss; and (ii) share-based compensation expenses. The following table reconciles our adjusted profit for the period and adjusted profit attributable to equity holders of the Company indicated to the most directly comparable financial measure calculated and presented in accordance with IFRS:

	For the six months ended June 30,	
	2024	2023
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Profit for the period	250,579	102,788
Add:		
Fair value changes on long-term investments measured at fair value through profit or loss	—	298
Share-based compensation expenses	28,232	26,636
Less:		
Income tax effects	—	(75)
Adjusted profit for the period	278,811	129,647

	For the six months ended June 30,	
	2024 (RMB'000) (Unaudited)	2023 (RMB'000) (Unaudited)
Profit attributable to equity holders of the Company	205,102	90,194
Add:		
Fair value changes on long-term investments measured at fair value through profit or loss	—	242
Share-based compensation expenses	32,188	22,603
Less:		
Income tax effects	—	(60)
Profit attributable to equity holders of the Company	237,290	112,979

These unaudited non-IFRS financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

Liquidity and Capital Resources

Our cash positions and short-term investments as at June 30, 2024 and December 31, 2023 are as follows:

	As at June 30, 2024 (RMB'000) (Unaudited)	As at December 31, 2023 (RMB'000) (Audited)
Cash and cash equivalents	2,163,500	3,206,821
Short-term investments		
— Wealth management products	118,214	147,657
	2,281,714	3,354,478

As at June 30, 2024, our short-term investments mainly consisted of wealth management products issued by large reputable commercial banks. These wealth management products invest principally in low-risk and liquid fixed-income instruments that are quoted on the interbank market or exchanges in China. The returns of such wealth management products are not guaranteed or protected by the issuing banks.

The effective rates of return of these wealth management products ranges from 2.30% to 3.19% per annum. The decrease of our cash positions and short-term investments was primarily due to (i) redemption of convertible bonds of RMB1,137.3 million and repurchase of convertible bonds of RMB422.7 million; and (ii) partially offset by the net cash flows generated from operating activities of RMB379.4 million for the six months ended June 30, 2024, and the proceeds from bank borrowings of RMB130.6 million.

As of June 30, 2024, our borrowings of RMB130.6 million are unsecured bank loans, to be matured until 2025 and bear annual interest rates ranging from 3.00% to 3.45%.

As of June 30, 2024, all of the outstanding convertible bonds have been redeemed and cancelled, and there are no outstanding convertible bonds in issue.

Gearing Ratio

Our gearing ratio was 42.9% as at June 30, 2024, comparing a gearing ratio of 57.6% as at December 31, 2023. This ratio was calculated as total liabilities divided by total assets.

Significant Investments Held, Material Acquisitions and Disposals

Save as disclosed in this report, neither the Group held any significant investments, nor was there any material acquisition and disposal of subsidiaries, associated companies and joint ventures for the six months ended June 30, 2024.

Pledge of Assets

As of June 30, 2024, we did not pledge any of our assets.

Future Plans for Material Investments or Capital Assets

As of June 30, 2024, we did not have any plans for material investments and capital assets.

Foreign Exchange Risk Management

We generate revenue from overseas markets in relation to our international business, and therefore, we are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Hong Kong dollar. We also pay licensing fees for foreign game developers and intellectual property providers, which are primarily in US dollars. We currently do not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure.

Contingent Liabilities

As of June 30, 2024, we did not have any material contingent liabilities.

04

OTHER
INFORMATION

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company repurchased an aggregate principal amount of US\$60.0 million of the convertible bonds. For details, please refer to the announcements of the Company dated January 10, 2024 and January 18, 2024.

During the Reporting Period, the Company has redeemed all the outstanding convertible bonds with an aggregate principal amount of US\$159,600,000. As at June 30, 2024, all the convertible bonds (convertible bonds code: 40646) have been redeemed and cancelled, and there are no outstanding convertible bonds in issue. For details, please refer to the announcement of the Company dated July 8, 2024.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities (including sale of treasury shares) of the Company during the six months ended June 30, 2024.

As at June 30, 2024, the Company did not hold any treasury shares.

INTERIM DIVIDEND

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

USE OF PROCEEDS

Placing of shares in April 2021

The net proceeds received from the placing of shares was approximately HK\$1,113.0 million. The amount of net proceeds brought forward as of January 1, 2024 was HK\$116.9 million. The table below sets out the details of actual usage of the net proceeds as of June 30, 2024:

Use of proceeds	Amount of net proceeds received from the placing of shares <i>(HK\$ million)</i>	Amount of net proceeds brought forward as of January 1, 2024 <i>(HK\$ million)</i>	Actual usage for the six months ended June 30, 2024 <i>(HK\$ million)</i>	Unutilized net proceeds as of June 30, 2024 <i>(HK\$ million)</i>	Expected timeline of full utilization
• further enhancing the Company's R&D capability and game portfolios	556.5	—	—	—	—
• potential acquisition and strategic investments	222.6	116.9	—	116.9	By December 31, 2024
• general corporate purposes	333.9	—	—	—	—
	1,113.0	116.9	—	116.9	

NO MATERIAL CHANGES

Save as disclosed in this report, during the Reporting Period, there were no material changes affecting the Group's performance that needs to be disclosed under Paragraphs 32 and 40(2) of Appendix D2 to the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

1. Grant of Share Options

On July 8, 2024, a total of 252,911 share options (the “Options”) were granted by the Company under the Share Option Plan to certain eligible participants, including 120,000 Options granted to Mr. Huang Yimeng, an executive Director. For details, please refer to the announcement of the Company dated July 8, 2024.

2. Exercise of Share Options

Subsequent to the Reporting Period, 54,041 Options were exercised by certain eligible participants to subscribe for 54,041 ordinary shares of the Company.

3. Completion of Share Transaction and Connected Transaction in relation to the Acquisition of 35% Shareholding in X.D. Global (HK) Limited involving the Issue of Consideration Shares under Specific Mandate

On April 9, 2024, the Company entered into the Sale and Purchase Agreement with the Vendors and the Purchaser (being a wholly-owned subsidiary of the Company), pursuant to which, the Purchaser has conditionally agreed to acquire, and EDragon and LY Development have severally and conditionally agreed to sell, the Target Shares, representing in aggregate 35% of the shareholding of the Target Company, subject to and on the terms and conditions of the Sale and Purchase Agreement.

The Initial Consideration for the Acquisition under the Sale and Purchase Agreement shall be an aggregate of US\$21,639,320 (of which US\$16,693,190 shall be payable to EDragon and US\$4,946,130 shall be payable to LY Development), which will be settled (i) as to an aggregate of US\$17,339,320 by the allotment and issue of 7,405,714 and 2,194,286 Consideration Shares by the Company to EDragon and LY Development respectively at the Issue Price of HK\$14.20 per Consideration Share; and (ii) as to US\$3,317,143 and US\$982,857 in cash to be paid by the Purchaser to EDragon and LY Development respectively. The Initial Consideration shall be subject to further adjustments pursuant to the terms and conditions of the Sale and Purchase Agreement.

On September 6, 2024, all the conditions under the Sale and Purchase Agreement were fulfilled, and Completion took place in accordance with the terms and conditions of the Sale and Purchase Agreement. Upon Completion, the Target Company became a direct wholly-owned subsidiary of the Purchaser (which is in turn a direct wholly-owned subsidiary of the Company), and the financial results of the Target Company remain consolidated into the financial results of the Group.

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Company allotted and issued 7,405,714 and 2,194,286 Consideration Shares to EDragon and LY Development respectively, representing approximately 1.51% and 0.45% of the enlarged issued share capital of the Company immediately following the completion of allotment and issue of the Consideration Shares.

For details, please refer to the announcements of the Company dated April 9, 2024 and September 6, 2024 as well as the circular of the Company dated June 3, 2024.

Save as disclosed above, there are no other material events undertaken by the Group after June 30, 2024 and up to the date of this report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to implementing high standards of corporate governance to safeguard the interests of the shareholders of the Company and enhance the corporate value as well as the responsibility commitments. The Company has adopted the CG Code as its own code of corporate governance.

The Company has complied with all applicable code provisions of the CG Code during the six months ended June 30, 2024 except for a deviation from code provision C.2.1 of part 2 of the CG Code, which provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Huang Yimeng is currently the chairman and chief executive officer of the Company.

In view of his substantial contribution to the Group since its establishment and his extensive experience in the game industry, the Board considers that vesting the roles of chairman and chief executive officer in the same individual provides the Group with strong and consistent leadership in the development and execution of long-term business strategies and does not impair the balance of power and authority between the Board and the management of the Company. The Board currently comprises three executive Directors (including Mr. Huang Yimeng), one non-executive Director and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

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

COMPLIANCE WITH LAWS AND REGULATIONS

Our Group has adopted internal control and risk management policies to monitor the on-going compliance with relevant laws and regulations. As far as the Board is concerned, our Group has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries in all aspects.

As of the date of this report, we have implemented and completed system upgrading works in respect of the anti-addiction systems for our online games and premium games operated in China in accordance with the Notice on Preventing Minors from Indulging in Online Games (《關於防止未成年人沉迷網絡遊戲的通知》) issued by National Administration of Press and Publication (國家新聞出版總署). We will then engage an external independent IT consultant to review and test the effectiveness of our upgraded systems and will promptly consult with our PRC legal advisers as and when required.

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

As at the date of this interim report, there is no change in the information of the Directors or chief executive of the Company disclosed or required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code for dealing in securities in the Company by the Directors. The Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the six months ended June 30, 2024.

REVIEW OF THE ACCOUNTS BY THE AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision D.3 of part 2 of the CG Code, and has adopted written terms of reference. The Audit Committee comprises three members, including Mr. Xin Quandong, Mr. Pei Dapeng and Ms. Liu Qianli. The Audit Committee is currently chaired by Mr. Xin Quandong, who possesses suitable professional qualifications.

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited consolidated financial statements for the six months ended June 30, 2024. 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.

EMPLOYEES, REMUNERATION AND PENSION SCHEME

We had 1,408 employees as of June 30, 2024, substantially all of which were based in Shanghai. The remuneration of employees during the six months ended June 30, 2024 is set out in note 7 to the condensed consolidated financial statements.

We offer our employees competitive compensation packages and a collaborative working environment and, as a result, we have generally been able to attract and retain qualified personnel and maintain a stable, core management team. We compensate our employees with basic salaries, subsidies, and performance-based and annual bonuses, and pay, on behalf of our employees, monthly social insurance premiums covering basic pension insurance, basic medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing reserve fund. We also adopted a share option plan on June 25, 2021 for the purpose of providing incentives and rewards to the participants for their contributions to the Group.

We design and implement in-house training programs tailored to each job function and a set of responsibilities to enhance performance. Specific training is provided during orientation for new employees to familiarize them with our working environment and operational procedures. We also provide professional on-the-job training to our existing employees on various topics such as channel management, marketing and promotion strategies, product operations and operational support. We believe our training offers employees sustainable, organized and target-oriented quality training, and which can enhance the productivity of our employees.

As disclosed in 2023 annual report, the Group has established an adequate remuneration and incentive system. The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. Further, the Group's principal retirement benefits scheme available to its Hong Kong and Singapore employees, namely the Mandatory Provident Fund or Central Provident Fund, is also a defined contribution scheme. Both the Group and the employees contribute respectively to the Mandatory Provident Fund or Central Provident Fund sums which represent a certain percentage of the employees' salaries.

The contributions by the Group for the defined contribution schemes above are expensed as incurred. Other than such contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees.

During the year ended December 31, 2023 and six months ended June 30, 2024, there were no forfeited contributions under the defined contribution schemes above. Accordingly, no forfeited contribution was utilized during the year and a half, and there was no forfeited contribution available as of December 31, 2023 and June 30, 2024, to reduce the level of contributions.

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

As at June 30, 2024, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or 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 which were otherwise required, to be notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

(i) Interest in Shares and underlying Shares

Name of Director	Capacity/Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding ⁽¹⁾
Mr. Huang Yimeng ("Mr. Huang")	Settlor of a discretionary trust ⁽²⁾	157,605,000 (L)	32.79%
	Beneficial owner	3,833,404 (L) ⁽³⁾	0.80%
	Interest of spouse	2,100,000 (L)	0.44%
Mr. Dai Yunjie ("Mr. Dai")	Settlor of a discretionary trust ⁽⁴⁾	53,545,000 (L)	11.14%
	Beneficial owner	1,546,104 (L) ⁽⁵⁾	0.32%

Notes:

- (1) The Letter "L" denotes the long position in the Shares. The percentage figures disclosed under "Approximate percentage of shareholding" were calculated based on the 480,639,093 Shares, being the number of total issued Shares of the Company as of June 30, 2024.
- (2) Happy Today Holding Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Happy Today Company Limited. Happy Today Company Limited is held by the Happy Today Trust, which was established by Mr. Huang as the settlor. J.P. Morgan Trust Company (Singapore) Pte. Ltd. is the trustee of the Happy Today Trust, and Mr. Huang and his family members are the beneficiaries of the Happy Today Trust. Mr. Huang is also a director of Happy Today Holding Limited. As such, each of Mr. Huang, J.P. Morgan Trust Company (Singapore) Pte. Ltd. and Happy Today Company Limited is deemed to be interested in our Shares held by Happy Today Holding Limited under the SFO.
- (3) Mr. Huang was interested in 3,833,404 Shares, of which inclusive of the interest in 1,227,404 Shares underlying the share options granted pursuant to the share option plan which was adopted by Shareholders on June 25, 2021.
- (4) Kros Dai Inc. is a company incorporated in the British Virgin Islands and is wholly-owned by Danger and Sons Inc. Danger and Sons Inc. is held by the Dai & Sons Trust, which was established by Mr. Dai as the settlor. J.P. Morgan Trust Company of Delaware is the trustee of the Dai & Sons Trust, and Mr. Dai and his family members are the beneficiaries of the Dai & Sons Trust. Mr. Dai is also a director of Kros Dai Inc. As such, each of Mr. Dai, J.P. Morgan Trust Company of Delaware and Danger & Sons Inc. is deemed to be interested in our Shares held by Kros Dai Inc. under the SFO.
- (5) Mr. Dai was interested in 1,546,104 Shares, of which inclusive of the interest in 980,304 Shares underlying the share options granted pursuant to the share option plan which was adopted by Shareholders on June 25, 2021.

(ii) Interest in associated corporations

Name of Director	Nature of interest	Associated corporations	Number of Shares	Approximate percentage of shareholding
Mr. Huang Yimeng	Interest in controlled corporation	X.D. Network	165,900,000 (L)	77.82%
	Beneficial owner	X.D. Network	47,281,500 (L)	22.18%

Save as disclosed above, as at June 30, 2024, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as is known to the Company, as at June 30, 2024, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares:

Name of Shareholder	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding ⁽¹⁾
J.P. Morgan Trust Company (Singapore) Pte. Ltd.	Trustee	157,605,000 (L)	32.79%
Happy Today Company Limited	Interest in controlled corporation	157,605,000 (L)	32.79%
Happy Today Holding Limited	Beneficial owner	157,605,000 (L)	32.79%
J.P. Morgan Trust Company of Delaware	Trustee	53,545,000 (L)	11.14%
Danger & Sons Inc.	Interest in controlled corporation	53,545,000 (L)	11.14%
Kros Dai Inc.	Beneficial owner	53,545,000 (L)	11.14%

Note:

- (1) The Letter "L" denotes the long position in the Shares. The percentage figures disclosed under "Approximate percentage of shareholding" were calculated based on the 480,639,093 Shares, being the number of total issued Shares of the Company as of June 30, 2024.

Save as disclosed above, as at June 30, 2024, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares that were recorded in the register required to be kept under section 336 of the SFO.

RSU SCHEME

The RSU Scheme was adopted on June 3, 2019.

Purpose

The purpose of the RSU Scheme is to enable our Group to attract and retain the services of Participants (as defined below) considered essential to the success of our Group by providing additional incentives, and to promote the success of our Group as a whole.

Effectiveness and Duration

Subject to any early termination as may be determined by the Board pursuant to terms of the RSU Scheme, the RSU Scheme shall be valid and effective for a period of ten years commencing from the adoption date of June 3, 2019, after which no award of RSUs granted to a Participant (the "**Award**") will be granted, but the provisions of this RSU Scheme shall in all other respects remain in full force and effect and the Awards granted during the term of the RSU Scheme may continue to be valid and exercisable in accordance with their terms of grant. The remaining life of the RSU Scheme was approximately 5 years.

Administration

The RSU Scheme shall be subject to the administration of the Board.

The Board shall have the sole and absolute right to (i) interpret and construe the provisions of the RSU Scheme; (ii) determine the persons who will be granted the Awards under the RSU Scheme, the terms and conditions on which the Awards are granted and when the RSUs granted pursuant to the RSU Scheme may vest; (iii) make such appropriate and equitable adjustments to the terms of the Awards granted under the RSU Scheme as it deems necessary; and (iv) make such other decisions or determinations as it shall deem appropriate in the administration of the RSU Scheme. The Board may by resolution delegate any or all of its powers in the administration of the RSU Scheme to the administration committee or any other committee as authorized by the Board for such purpose. All the decisions, determinations and interpretations made by the Board shall be final, conclusive and binding on all parties.

Heart Assets Limited (the "**RSU Holding Entity**") was a limited liability company incorporated in the British Virgin Islands on June 4, 2019, and was established by the Company as the settlor holding our Shares pursuant to the RSU Scheme. On June 17, 2019, the Company issued and allotted an aggregate of 8,437,540 Shares to the RSU Holding Entity, which hold our Shares pursuant to the RSU Scheme on trust for and on behalf of the grantees or our Company (as the case may be), representing approximately 1.72% of the issued share capital of the Company as at the date of this report. The Shares held by the RSU Holding Entity will not be counted towards the public float of the Company.

The RSU Holding Entity will not exercise the voting rights attached to the Shares underlying the RSU Scheme.

The RSU shall be made at nil consideration to selected participants.

Participants

Those eligible to participate in the RSU Scheme (the **"Participants"**) include: (i) full-time employees (including directors, officers and members of senior management) of any member of our Group; and (ii) any person who, in the sole opinion of the Board, has contributed or will contribute to any member of our Group.

Annual limit of Shares

The maximum limit of the total number of Shares to be issued by the Company under the RSU Scheme in any financial year will not exceed 3% of the total Shares in issue as at the beginning of that financial year. The total number of Shares issued and to be issued to a grantee in any 12-month period will not exceed 1% of the total number of Shares in issue at anytime during this 12-month period.

Terms and Conditions of Award

(i) Grant of Awards

The Board may, from time to time, select the Participants to whom the Award may be granted. The amount of the Award may be determined at the sole and absolute discretion of the Board and may differ among selected Participants.

(ii) Notice of grant

Subject to the limitations and conditions of the RSU Scheme, a notice of grant (the **"Notice of Grant"**) will be sent to the grantee confirming (a) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip dividends in respect of these Shares) or the amount of cash the grantee will receive; (b) the lock-up arrangements upon vesting (if any); and (c) other terms and conditions (if any) that the RSUs are subject to as determined by the Board in its absolute discretion.

The grantee is required to execute an acceptance notice and return it to the trustee of the RSU Scheme (the **"Trustee"**) after receiving the Notice of Grant. Upon the receipt from the eligible Participant of a duly executed acceptance notice, the RSUs are granted to such Participant, who becomes a grantee pursuant to the RSU Scheme. The date of such receipt shall be the grant commencement date (the **"Grant Commencement Date"**). In the event that the grantee fails to execute or return the acceptance notice within the time period and in a manner prescribed in the Notice of Grant, it shall be deemed that such grant of Award has been irrevocably declined and thus the RSUs have immediately lapsed.

(iii) Conditions of Award

The Board has absolute discretion on the terms and conditions of the Awards. Subject to the terms of the RSU Scheme, the Awards may be granted on such terms and conditions (such as by linking the vesting of their RSUs to the attainment or performance of milestones by any member of our Group, the grantee or any group of grantees).

(iv) Restrictions

No grant of Award shall be made to any selected Participant at a time when the selected Participant would or might be prohibited from dealing in our Shares by the Listing Rules (where applicable) or by any other applicable rules, regulations or law.

A grant of Award must not be made after inside information has come to the knowledge of our Company until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular during the period commencing one month immediately preceding the earlier of:

- (a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement;

no Award may be granted. Such period will cover any period of delay in the publication of a results announcement.

Where any Award is proposed to be granted to a director, it shall not be granted on any day on which the financial results of our Company are published and during the period of:

- (a) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

Any grant to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates (as defined under the Listing Rules), shall be subject to the prior approval of the independent non-executive directors (excluding the independent non-executive director who is the proposed grantee of the Awards in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules. Notwithstanding the foregoing, any grant of Award to a director pursuant to Rule 14A.95 of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the Award forms part of the relevant director's remuneration under his service contract.

The Board may not grant any Award to any Participants in any of the following circumstances:

- (a) the requisite approvals for that grant of Award from any applicable regulatory authorities have not been obtained; or
- (b) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of Award or in respect this Scheme, unless the Board determines otherwise; or
- (c) where the grant of Award would result in a breach of any applicable securities laws, rules or regulations by any member of our Group or any of its directors; or
- (d) the grant of Award would result in breach of the RSU Limit or other rules of the RSU Scheme.

(v) Transferability of Awards

Awards, and any interest therein, shall not be transferable or assignable or encumbered, and shall not be made subject to execution, attachment or similar process, except:

- (a) transfer from a grantee to his family member by gift or pursuant to domestic relations order in the settlement of marital property rights with the consent of the Board; or
- (b) transfer by the grantee and provided that following the grantee's death, RSUs may be transferred by will, or by the laws of descent and distribution.

Taxes

The grantee shall pay all taxes and other liabilities that may be assessed or assessable on any payments made by our Company or Trustee under the RSU Scheme and all payments required to be made hereunder by our Company shall be subject to the deduction or withholding of any payment or transfer of any kind otherwise due to the grantee, and the grantee agrees to indemnify and keep our Company (for itself and for any members of our Group), the Trustee and RSU Holding Entity indemnified in respect of any such liability, obligation or loss and accepts any claim in respect of such indemnity may be satisfied by set-off against any sums due from our Company, any member of our Group, the Trustee and/or RSU Holding Entity to such grantee from time to time.

Vesting

(i) Vesting period

Subject to the terms of the RSU Scheme and the specific terms and conditions applicable to each Award, the RSUs granted shall be subject to vesting schedule and to the satisfaction of performance and/or other conditions to be determined by the Board (if any) in its absolute discretion. If such conditions are not satisfied, the RSU shall automatically lapse on the date on which such conditions are not satisfied, as determined by the Board in its absolute discretion.

The Board shall have the sole and absolute discretion to determine whether or not a grantee shall have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying an Award prior to vesting of the Award.

(ii) Voting Rights

Prior to the transfer of the Shares underlying the vested RSUs to the grantee, the grantee shall not be entitled to have any rights as a shareholder with respect to such Shares.

Lapse and Forfeiture

Subject to terms and conditions of the RSU Scheme, the unvested RSUs shall automatically lapse upon the earliest of:

- (a) the date of the termination of grantee's employment or service in Cause (as defined below) by any member of our Group; or
- (b) in the event that certain general offer by way of voluntary offer or takeover is made to all the Shareholders the date of the offer (or, as the case may be, revised offer); or
- (c) in the event that certain general offer for Shares by way of scheme of arrangement is made to all the Shareholders, the record date for determining entitlements under the scheme of arrangement; or
- (d) the date of the commencement of the winding-up of our Company; or
- (e) the date on which, at the absolute discretion of the Board, the grantee has failed to perform any major customary duties or responsibilities of an employee, or has committed a material violation of any reasonable directions or instructions of the managerial department or personnel of the relevant member of our Group, or has committed a material breach of any applicable internal rules, regulations and code of conduct of the relevant member of our Group; or
- (f) the date on which it is no longer possible to satisfy any outstanding conditions to vesting; or
- (g) the Board has decided that the unvested RSUs shall not be vested in the grantee in accordance with the rules of the RSU Scheme and the terms and conditions as set out in the Notice of Grant.

For the purpose of defining the lapse conditions, the “Cause” means, with respect to a grantee, the summary termination of employment or office or service on any one or more of the following grounds: the grantee has been guilty of willful misconduct or gross negligence, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board in its absolute discretion) on any other ground on which the relevant member in our Group would be entitled to terminate his employment or office or service summarily at common law or pursuant to any applicable laws or under the grantee’s employment or service contract with the relevant member in our Group.

Notwithstanding the aforesaid, in each case, the Board may in its absolute discretion decide that any RSU shall not lapse or shall be subject to such conditions or limitations as the Board may decide.

The number of Awards available for grant under the RSU Scheme at the beginning and the end of the Reporting Period 8,437,540 and 6,197,406, respectively. As at the date of this report, the aggregate number of Shares held by the RSU Holding Entity pursuant to the RSU Scheme for and on behalf of the grantees was 8,437,540, representing approximately 1.72% of the issued share capital of our Company.

As of June 30, 2024, 2,240,134 RSUs had been granted by the Company.

For more details, please refer to the section headed “Statutory and General Information — D. RSU Scheme” in Appendix IV to the prospectus of the Company dated November 29, 2019.

THE 2024 RSU SCHEME

The Company has adopted the 2024 RSU Scheme on May 7, 2024, to, among others, recognise the contributions by the participants and encourage and retain such individuals for the continual operation and development of the Group by providing participants with the opportunity to acquire equity ownership in the Company. The 2024 RSU Scheme shall be solely funded by existing shares to be purchased on the market by the trustee engaged by the Company for the purpose of the 2024 RSU Scheme (“**Trustee**”).

Purpose

The purpose of the 2024 RSU Scheme is to (i) recognise the contributions by the Participants with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain such individuals for the continual operation and development of the Group; (iii) provide additional incentives for them to achieve performance goals; (iv) attract suitable personnel for further development of the Group; and (v) motivate the Participants to maximise the value of the Company for the benefits of both the Participants and the Company, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the Participants directly to the Shareholders through ownership of Shares.

Duration and Termination

The 2024 RSU Scheme shall be valid and effective for a period of 10 years commencing on May 7, 2024, after which no 2024 Awards will be granted, but the provisions of the 2024 RSU Scheme shall in all other respects remain in full force and effect and the 2024 Awards granted during the term of the 2024 RSU Scheme may continue to be valid and exercisable in accordance with their respective terms of grant.

Administration

The 2024 RSU Scheme shall be subject to the administration of the Board and the Board shall have the sole and absolute right to, among others, interpret and construe the provisions of the 2024 RSU Scheme and determine the grantees who will be granted 2024 Awards under the 2024 RSU Scheme, the terms and conditions on which 2024 Awards are granted and when the 2024 Awards granted pursuant to the 2024 RSU Scheme may vest. The Company shall appoint the Trustee to assist with the administration and vesting of 2024 Awards granted pursuant to the 2024 RSU Scheme and the Trustee shall not exercise any voting rights in respect of any Shares held pursuant to the 2024 RSU Scheme.

Vesting Period, Performance Target and Lapse

The Board shall decide on the specific terms and conditions (including but not limited to vesting period and vesting conditions) applicable to each 2024 Award. If the performance milestones or targets and/or other conditions determined by the Board (if any) are not satisfied, the 2024 Award shall automatically lapse on the date on which any such condition is not satisfied, as determined by the Board in its sole and absolute discretion.

In the event of a general offer (whether by way of voluntary offer, takeover or otherwise), a voluntary winding-up or a compromise or arrangement, the Board shall have absolute discretion to determine whether any unvested 2024 Award shall vest and the period within which such Award shall vest.

Scheme Limit and Limit on Individual Grant

The maximum number of 2024 Awards which may be granted under the 2024 RSU Scheme shall not exceed 3% of the number of issued Shares as at May 7, 2024 (i.e. 14,417,517 Shares). The aforementioned scheme limit may be refreshed by the Board from time to time and any 2024 Award granted prior to the refreshment of limit will not be counted for the purpose of determining the refreshed scheme limit.

No further 2024 Award shall be granted to any Participant if any such grant of 2024 Awards, when aggregated with all 2024 Awards granted to such Participant (excluding any 2024 Award lapsed in accordance with the terms of the 2024 RSU Scheme) in the 12-month period up to and including the grant date of such new grant, would result in the total number of Shares issued and to be issued to such Participant in aggregate exceeding 1% of the issued Shares as at the date of grant of such new grant.

Restrictions on grant of 2024 Awards

No 2024 Award may be granted to any Participant:

- (a) where the Company has information that must be disclosed under Rule 13.09 of the Listing Rules or where the Company reasonably believes there is inside information (within the meaning given under Part XIVA of the SFO, the **"Inside Information"**) which must be disclosed under Part XIVA of the SFO, until such Inside Information has been published on the websites of the Stock Exchange and the Company;
- (b) after any Inside Information in relation to the securities of the Company has occurred or has become the subject of a decision, until such Inside Information has been published;
- (c) within the period commencing 60 days (in the case of yearly results), or 30 days (in the case of results for half-year, quarterly or other interim period) immediately preceding the earlier of (i) the date of a meeting of the Board (as such date is first notified to the Stock Exchange) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish its quarterly, interim or annual results announcement for any such period, and ending on the date of such announcement;
- (d) in any other circumstances where dealings by selected Participant (including Directors) are prohibited under the Listing Rules, the SFO or any other applicable law or regulation or where the requisite approval from any applicable regulatory authorities has not been granted;
- (e) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the Grant or in respect of the 2024 RSU Scheme, unless the Board determines otherwise;
- (f) where the grant of 2024 Award would result in a breach of any applicable securities laws, rules or regulations by any member of the Group or any of its directors; or
- (g) where the grant of 2024 Award would result in breach of the 2024 RSU Scheme limit or other rules of the 2024 RSU Scheme.

As of June 30, 2024, no 2024 Awards had been granted by the Company.

During the Reporting Period, the Trustee has not purchased any Share. As at the date of this report, the Trustee has purchased in total 2,785,400 shares on the Stock Exchange at the total consideration of HK\$52.4 million pursuant to the terms of the trust deed entered into by the Company and the Trustee in connection with the 2024 RSU Scheme.

SHARE OPTION PLAN

On April 30, 2021, the Board resolved to propose the adoption of the Share Option Plan. On June 25, 2021 (the “**Adoption Date**”), the Share Option Plan was considered and approved by the Shareholders at the annual general meeting of the Company which will be valid and effective for a period of 10 years commencing on the adoption date. As of June 30, 2024, the remaining life of the Share Option Plan was approximately 7 years.

Purpose

The purpose of the Share Option Plan is to provide incentives and rewards to the directors and employees of the Group for their contributions to, and continuing efforts to promote the interest of, the Company.

Eligible Participants

The eligible participants for the Share Option Plan include any employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive directors) of any member of the Group, who, in the sole opinion of the Board, have contributed or will contribute to the growth and development of the Group.

Maximum Number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Plan and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Adoption Date that is, 48,043,070 Shares. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Plan and any other options granted and yet to be exercised under any other option scheme shall not exceed 30% of the issued Shares from time to time.

Maximum Entitlement of Eligible Participants

No option may be granted to any eligible participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the options already granted or to be granted to such eligible participant under the Share Option Plan (including exercised, cancelled and outstanding options) in the 12-month period up to and including the grant date of such new grant exceeding 1% in aggregate of the issued share capital of the Company as at the grant date of such new grant. Any grant of further options above this limit shall be subject to the requirements provided under the Listing Rules.

Vesting Period and Exercise Period

The Share Option Plan provides that the Board may specify the vesting period of the options and does not provide for any minimum vesting period.

The option must be exercised no more than 10 years from the grant date. There is no minimum period for which an option must be held before it can be exercised. The Board and the Remuneration and Appraisal Committee will take into account of the purpose of the Share Option Plan as part of the remuneration package of eligible participants to incentivize their performance and to make continuous contributions to the growth and development of the Group, as well as maintaining the competitiveness of the remuneration package offered by the Group as compared with those offered by the industry peers.

Performance Target

There is no performance target attached to the options under the Share Option Plan. For the grant of options, the Board and the Remuneration and Appraisal Committee will consider the ability of eligible participants for their contributions to the overall operations, development and long-term growth of the Group with reference to their tenure with the Group and their industry experience. It is the common practice of gaming industry of granting options without performance target. The grant of options aligns the interest of eligible participants with that of the Company and the Shareholders and reinforces the eligible participants' commitment to the Group and thus aligns with the purpose of the Share Option Plan.

Clawback Mechanism

Any options shall lapse and not exercisable with immediate effect on the date:

- (a) on which the grantee ceases to be an eligible participant (including any employees, executives or officers and directors of any members of the Group) in accordance with the Share Option Plan; or
- (b) on the date on which the Board exercises the Company's right to cancel or forfeit the options if the grantee commits any breach of non-transferrable provision of the options and confidentiality clause of the Share Option Plan.

Subscription Price and Consideration for the Options

The Board shall be entitled at any time during the operation of the Share Option Plan, at its/his/her sole and absolute discretion, to make an offer of options to an eligible participant by letter in such form as the Board may from time to time determine. Unless otherwise determined by the Board, RMB1.00 shall be payable by the grantee to the Company upon acceptance of the offer of options, and such remittance shall not be refundable.

The total number of shares available for issue under the plan is 47,780,636 (representing 9.75% of the issued shares) as at the date of this report. The exercise price shall be a price determined by the Board and notified to any grantee and will be the highest of:

- (a) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the grant date of the relevant options, which must be a business day;
- (b) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five (5) business days immediately preceding the grant date of the relevant options; or
- (c) the nominal value per Share on the grant date.

Movements of Options during the Reporting Period

Pursuant to Rule 17.07 of the Listing Rules, particulars and movements of share options under the Share Option Plan during the period from the Adoption Date to June 30, 2024 (the “Period”) by category of grantees were as follows:

Category of grantees	Date of grant	Exercise price per Share	Closing price immediately before the date of grant	Vesting period/ Exercisable period	Outstanding as at January 1, 2024	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Outstanding as at June 30, 2024
Directors and substantial shareholders										
Mr. Huang Yimeng	July 12, 2021	HK\$62.60	HK\$60.20	July 12, 2021 to July 11, 2031	16,049	—	—	—	—	16,049
	October 11, 2021	HK\$46.90	HK\$42.85	October 11, 2021 to October 10, 2031	64,705	—	—	—	—	64,705
	January 10, 2022	HK\$37.01	HK\$35.60	January 10, 2022 to January 9, 2032	83,213	—	—	—	—	83,213
	April 11, 2022	HK\$25.04	HK\$23.35	April 11, 2022 to April 10, 2032	122,982	—	—	—	—	122,982
	July 5, 2022	HK\$21.64	HK\$20.60	July 5, 2022 to July 4, 2032	135,331	—	—	—	—	135,331
	October 14, 2022	HK\$16.09	HK\$15.04	October 14, 2022 to October 13, 2032	138,900	—	—	—	—	138,900
	January 11, 2023	HK\$25.86	HK\$26.80	January 11, 2023 to January 10, 2033	83,210	—	—	—	—	83,210
	April 12, 2023	HK\$27.79	HK\$27.55	April 12, 2023 to April 11, 2033	102,561	—	—	—	—	102,561
	July 6, 2023	HK\$20.29	HK\$20.45	July 6, 2023 to July 5, 2033	133,626	—	—	—	—	133,626
	October 16, 2023	HK\$13.284	HK\$12.78	October 16, 2023 to October 15, 2033	161,056	—	—	—	—	161,056
Mr. Dai Yunjie	January 12, 2024	HK\$9.31	HK\$9.38	January 12, 2024 to January 11, 2034	—	83,210	—	—	—	83,210
	April 15, 2024	HK\$14.392	HK\$14.20	April 15, 2024 to April 14, 2034	—	102,561	—	—	—	102,561
	July 12, 2021	HK\$62.60	HK\$60.20	July 12, 2021 to July 11, 2031	9,924	—	—	—	—	9,924
	October 11, 2021	HK\$46.90	HK\$42.85	October 11, 2021 to October 10, 2031	40,009	—	—	—	—	40,009
	January 10, 2022	HK\$37.01	HK\$35.60	January 10, 2022 to January 9, 2032	51,453	—	—	—	—	51,453
	April 11, 2022	HK\$25.04	HK\$23.35	April 11, 2022 to April 10, 2032	122,982	—	—	—	—	122,982
	July 5, 2022	HK\$21.64	HK\$20.60	July 5, 2022 to July 4, 2032	99,243	—	—	—	—	99,243
	October 10, 2022	HK\$16.72	HK\$16.76	October 10, 2022 to October 9, 2032	121,244	—	—	—	—	121,244
	January 11, 2023	HK\$25.86	HK\$26.80	January 11, 2023 to January 10, 2033	3,715	—	—	—	—	3,715

Category of grantees	Date of grant	Exercise price per Share	Closing price immediately before the date of grant	Vesting period/ Exercisable period	Outstanding as at January 1, 2024	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Outstanding as at June 30, 2024
Employees	April 12, 2023	HK\$27.79	HK\$27.55	April 12, 2023 to April 11, 2033	51,281	—	—	—	—	51,281
	July 6, 2023	HK\$20.29	HK\$20.45	July 6, 2023 to July 5, 2033	66,813	—	—	—	—	66,813
	October 16, 2023	HK\$13.284	HK\$12.78	October 16, 2023 to October 15, 2033	102,537	—	—	—	—	102,537
	January 12, 2024	HK\$9.31	HK\$9.38	January 12, 2024 to January 11, 2034	—	147,715	—	—	—	147,715
	April 15, 2024	HK\$14.392	HK\$14.20	April 15, 2024 to April 14, 2034	—	163,388	—	—	—	163,388
	July 12, 2021	HK\$62.60	HK\$60.20	July 12, 2021 to July 11, 2031	321,261	—	—	—	—	321,261
	October 11, 2021	HK\$46.90	HK\$42.85	October 11, 2021 to October 10, 2031	919,107	—	—	—	—	919,107
	January 10, 2022	HK\$37.01	HK\$35.60	January 10, 2022 to January 9, 2032	5,541,245	—	—	(3,657,935)	—	1,883,310
	April 11, 2022	HK\$25.04	HK\$23.35	April 11, 2022 to April 10, 2032	660,838	—	—	—	—	660,838
	July 5, 2022	HK\$21.64	HK\$20.60	July 5, 2022 to July 4, 2032	834,463	—	—	—	—	834,463
	October 10, 2022	HK\$16.72	HK\$16.76	October 10, 2022 to October 9, 2032	1,069,825	—	—	—	—	1,069,825
	January 11, 2023	HK\$25.86	HK\$25.35	January 11, 2023 to January 10, 2033	855,625	—	—	—	—	855,625
	April 12, 2023	HK\$27.79	HK\$27.15	April 12, 2023 to April 11, 2033	460,404	—	—	—	—	460,404
	July 6, 2023	HK\$20.29	HK\$20.45	July 6, 2023 to July 5, 2033	652,239	—	—	—	—	652,239
	October 16, 2023	HK\$13.284	HK\$12.78	October 16, 2023 to October 15, 2033	1,147,856	—	50,921	—	—	1,096,935
	January 12, 2024	HK\$9.31	HK\$9.38	January 12, 2024 to January 11, 2034	—	1,644,380	135,065	—	—	1,509,315
April 15, 2024	HK\$14.392	HK\$14.20	April 15, 2024 to April 14, 2034	—	4,974,605	—	—	—	4,974,605	
Total					14,173,697	7,115,859	(185,986)	(3,657,935)	—	17,445,635

Notes:

- (1) The weighted average closing price of the shares immediately before the dates of exercise was HK\$15.55 per Share.
- (2) All options granted vested on the date of grant pursuant to the terms of the Share Option Plan.

On July 12, 2021, a total of 347,234 options were granted by the Company under the Share Option Plan to certain eligible participants to subscribe for ordinary shares of US\$0.0001 each of the Company, including 16,049 options granted to Mr. Huang Yimeng, an executive Director, and 9,924 options granted to Mr. Dai Yunjie, an executive Director. For details, please refer to the announcement of the Company dated July 12, 2021.

On October 11, 2021, a total of 1,023,821 options were granted by the Company under the Share Option Plan to certain eligible participants to subscribe for ordinary shares of US\$0.0001 each of the Company, including 64,705 options granted to Mr. Huang Yimeng, an executive Director, and 40,009 options granted to Mr. Dai Yunjie, an executive Director. For details, please refer to the announcement of the Company dated October 11, 2021.

On January 10, 2022, a total of 5,675,911 options were granted by the Company under the Share Option Plan to certain eligible participants to subscribe for ordinary shares of US\$0.0001 each of the Company, including 83,213 options granted to Mr. Huang Yimeng, an executive Director, and 51,453 options granted to Mr. Dai Yunjie, an executive Director. For details, please refer to the announcement of the Company dated January 10, 2022.

On April 11, 2022, a total of 906,802 options were granted by the Company under the Share Option Plan to certain eligible participants to subscribe for ordinary shares of US\$0.0001 each of the Company, including 122,982 options granted to Mr. Huang Yimeng, an executive Director, and 122,982 options granted to Mr. Dai Yunjie, an executive Director. For details, please refer to the announcement of the Company dated April 11, 2022.

On July 5, 2022, a total of 1,069,037 options were granted by the Company under the Share Option Plan to certain eligible participants to subscribe for ordinary shares of US\$0.0001 each of the Company, including 135,331 options granted to Mr. Huang Yimeng, an executive Director, and 99,243 options granted to Mr. Dai Yunjie, an executive Director. For details, please refer to the announcement of the Company dated July 5, 2022.

On October 10, 2022, a total of 1,378,808 options were granted by the Company under the Share Option Plan to certain eligible participants to subscribe for ordinary shares of US\$0.0001 each of the Company, including 165,332 options granted to Mr. Huang Yimeng, an executive Director, and 121,244 options granted to Mr. Dai Yunjie, an executive Director. As disclosed in the announcement of the Company dated October 14, 2022, the Board has resolved to cancel the 165,332 options which were granted to Mr. Huang Yimeng and further announced that that a total of 138,900 share options were granted by the Company under the Share Option Plan to Mr. Huang Yimeng. For details, please refer to the announcements of the Company dated October 10, 2022 and October 14, 2022.

On January 11, 2023, a total of 942,550 options were granted by the Company under the Share Option Plan to certain eligible participants to subscribe for ordinary shares of US\$0.0001 each of the Company, including 83,210 options granted to Mr. Huang Yimeng, an executive Director, and 3,715 options granted to Mr. Dai Yunjie, an executive Director. For details, please refer to the announcement of the Company dated January 11, 2023.

On April 12, 2023, a total of 614,246 options were granted by the Company under the Share Option Plan to certain eligible participants to subscribe for ordinary shares of US\$0.0001 each of the Company, including 102,561 options granted to Mr. Huang Yimeng, an executive Director, and 51,281 options granted to Mr. Dai Yunjie, an executive Director. For details, please refer to the announcement of the Company dated April 12, 2023.

On January 12, 2024, a total of 1,875,305 options were granted by the Company under the Share Option Plan to certain eligible participants to subscribe for ordinary shares of US\$0.0001 each of the Company, including 83,210 options granted to Mr. Huang Yimeng, an executive Director, and 147,715 options granted to Mr. Dai Yunjie, an executive Director. For details, please refer to the announcement of the Company dated January 12, 2024.

On April 15, 2024, a total of 5,240,554 options were granted by the Company under the Share Option Plan to certain eligible participants to subscribe for ordinary shares of US\$0.0001 each of the Company, including 102,561 options granted to Mr. Huang Yimeng, an executive Director, and 163,388 options granted to Mr. Dai Yunjie, an executive Director. For details, please refer to the announcement of the Company dated April 15, 2024.

During the Reporting Period, a total of 185,986 options were exercised by eligible participants (other than a Director) of the Company under the Share Option Plan.

Save as disclosed above, no options were granted, exercised, cancelled or lapsed under the Share Option Plan during the six months ended June 30, 2024.

Number of Options Available for Grant

The number of options available for grant under the Share Option Plan at the beginning and the end of the Reporting Period were 33,846,966 and 30,389,042, respectively.

The number of shares that may be issued in respect of options granted under the Share Option Plan during the Reporting Period divided by the weighted average number of issued shares for the Reporting Period was 1.51%.

Fair Value of the Options

The Group used Binomial option-pricing model to determine the fair value of the share option as of the grant dates. The fair value of Options granted by the Company during the six months ended June 30, 2024 to employee participants on January 12, 2024 and April 15, 2024 was HKD4.63 per Option and HKD7.31 per Option, respectively, at such dates of grant, and the fair value of Options granted to Directors was HKD5.07 per Option and HKD8.00 per Option, respectively, at such dates of grants. Key assumptions and the fair value of the Options are set out in note 31 to the condensed consolidated financial statements.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of XD Inc.

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 47 to 106, which comprises the interim condensed consolidated statement of financial position of XD Inc. (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2024 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 August 2024

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenues	6	2,220,567	1,753,102
Cost of revenues	6, 7	(723,756)	(715,841)
Gross profit		1,496,811	1,037,261
Selling and marketing expenses	7	(695,322)	(330,402)
Research and development expenses	7	(419,489)	(527,784)
General and administrative expenses	7	(138,323)	(101,785)
Net impairment reversal on financial assets	7	873	1,868
Other income	8	5,440	39,365
Other gains, net	9	20,523	4,170
Operating profit		270,513	122,693
Finance income		18,381	45,022
Finance costs		(15,607)	(34,246)
Finance income, net	10	2,774	10,776
Share of results of investments accounted for using the equity method	16	8,746	14,348
Profit before income tax		282,033	147,817
Income tax expenses	11	(31,454)	(45,029)
Profit for the period		250,579	102,788

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Other comprehensive income:			
<i>Items that may not be reclassified to profit or loss</i>			
— Currency translation differences		(9,457)	8,774
<i>Items that may be reclassified to profit or loss</i>			
— Currency translation differences		3,493	2,878
Total comprehensive income for the period		244,615	114,440
Profit for the period attributable to:			
Equity holders of the Company		205,102	90,194
Non-controlling interests		45,477	12,594
		250,579	102,788
Total comprehensive profit for the period attributable to:			
Equity holders of the Company		199,358	102,104
Non-controlling interests		45,257	12,336
		244,615	114,440
Earnings per share for profit for the period attributable to the equity holders of the Company			
Basic earnings per share (RMB)	12	0.43	0.19
Diluted earnings per share (RMB)	12	0.43	0.19

The notes on pages 58 to 106 are an integral part of these condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	31,583	43,693
Right-of-use assets	14	171,198	192,680
Intangible assets	13	241,363	233,416
Deferred tax assets	15	21,321	48,920
Investments accounted for using the equity method	16	113,315	122,561
Long term investments measured at fair value through profit or loss	17	18,841	18,840
Prepayments, deposits and other non-current assets	18	32,673	36,225
		630,294	696,335
Current assets			
Trade receivables	19	408,933	286,809
Prepayments, deposits and other current assets	18	59,217	71,820
Short-term investments	20	118,214	147,657
Cash and cash equivalents	21	2,163,500	3,206,821
		2,749,864	3,713,107
Total assets		3,380,158	4,409,442
EQUITY			
Share capital	22	329	329
Share premium	22	7,038,938	7,036,290
Shares held for share award schemes	22	(6)	(6)
Other reserves	23	(4,720,147)	(4,490,917)
Accumulated deficit		(576,792)	(836,523)
Equity attributable to equity holders of the Company		1,742,322	1,709,173
Non-controlling interests		188,671	159,578
Total equity		1,930,993	1,868,751

	Notes	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	24	142,298	158,636
		142,298	158,636
Current liabilities			
Trade payables	25	231,352	194,906
Advance from customers		63,280	53,008
Borrowings	29	130,564	—
Other payables and accruals	26	403,220	275,239
Contract liabilities	27	351,056	180,780
Current income tax liabilities		83,744	80,352
Lease liabilities	24	43,651	44,623
Convertible bonds	28	—	1,553,147
		1,306,867	2,382,055
Total liabilities		1,449,165	2,540,691
Total equity and liabilities		3,380,158	4,409,442

The notes on pages 58 to 106 are an integral part of these condensed consolidated financial statements.

The financial statements on pages 47 to 106 were approved by the Board of Directors on 30 August 2024 and were signed on its behalf.

Dai Yunjie
Director

Fan Shuyang
Director

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CONDENSED
CONSOLIDATED
STATEMENT OF
CHANGES IN EQUITY

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								Total
	Notes	Share capital	Shares held			Accumulated deficit	Sub-total	Non-controlling interests	
			Share premium	award schemes	Other reserves				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
(Unaudited)									
As of 1 January 2023		329	7,035,801	(6)	(4,377,255)	(770,540)	1,888,329	17,320	1,905,649
Comprehensive income									
Profit for the period		—	—	—	—	90,194	90,194	12,594	102,788
Other comprehensive income									
— Currency translation differences		—	—	—	11,910	—	11,910	(258)	11,652
Total comprehensive income for the period		—	—	—	11,910	90,194	102,104	12,336	114,440
Transaction with owners in their capacity as owners									
Share-based compensation expenses	31	—	—	—	26,636	—	26,636	—	26,636
Exercise of share options		—*	489	—	(164)	—	325	—	325
Dividend distribution of subsidiaries	30	—	—	—	—	—	—	(36,378)	(36,378)
Total transactions with owners in their capacity as owners for the period		—*	489	—	26,472	—	26,961	(36,378)	(9,417)
As of 30 June 2023		329	7,036,290	(6)	(4,338,873)	(680,346)	2,017,394	(6,722)	2,010,672

	Notes	Attributable to equity holders of the Company							Total
		Shares held					Accumulated deficit	Non-controlling interests	
		Share capital	Share premium	award schemes	Other reserves	Sub-total			
(Unaudited)									
As of 1 January 2024		329	7,036,290	(6)	(4,490,917)	(836,523)	1,709,173	159,578	1,868,751
Comprehensive income									
Profit for the period		—	—	—	—	205,102	205,102	45,477	250,579
Other comprehensive income									
— Currency translation differences		—	—	—	(5,744)	—	(5,744)	(220)	(5,964)
Total comprehensive income for the period		—	—	—	(5,744)	205,102	199,358	45,257	244,615
Transaction with owners in their capacity as owners									
Share-based compensation expenses	31	—	—	—	28,232	—	28,232	—	28,232
Exercise of share options		—*	2,648	—	(868)	—	1,780	—	1,780
Appropriation to statutory reserves		—	—	—	21,063	(21,063)	—	—	—
Repurchase of convertible bonds		—	—	—	(20,869)	20,179	(690)	—	(690)
Redemption of convertible bonds		—	—	—	(55,513)	55,513	—	—	—
Dividend distribution of subsidiaries	30	—	—	—	—	—	—	(16,164)	(16,164)
Transaction with non-controlling interests		—	—	—	(195,531)	—	(195,531)	—	(195,531)
Total transactions with owners in their capacity as owners for the period		—*	2,648	—	(223,486)	54,629	(166,209)	(16,164)	(182,373)
As of 30 June 2024		329	7,038,938	(6)	(4,720,147)	(576,792)	1,742,322	188,671	1,930,993

* The amount is less than RMB1,000.

The notes on pages 58 to 106 are an integral part of these condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		380,585	129,592
Income tax (paid)/refunded		(1,144)	3,950
Net cash flows generated from operating activities		379,441	133,542
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,263)	(1,035)
Proceeds from disposals of property, plant and equipment		3,128	592
Purchase of intangible assets (including prepayments for intangible assets)		(17,349)	(7,306)
Net cash paid for business combination		—	(9,359)
Purchase of short-term investments		(194,000)	(230,000)
Proceeds from disposals of short-term investments		225,304	309,749
Dividends received from investments accounted for using the equity method	16	18,000	7,200
Net cash generated from investing activities		33,820	69,841
Cash flows from financing activities			
Dividend paid to non-controlling shareholders	30	(16,164)	(36,378)
Payment for interest of convertible bonds	28	(7,087)	(11,892)
Repurchase of convertible bonds	28	(422,676)	—
Redemption of convertible bonds	28	(1,137,335)	—
Proceeds from exercise of share options		1,780	325
Payment for lease liabilities (including interests)	14	(20,114)	(26,080)
Proceeds from borrowings		130,564	—
Interests paid for borrowings	10	(1,715)	—
Net cash used in financing activities		(1,472,747)	(74,025)
Net (decrease)/increase in cash and cash equivalents		(1,059,486)	129,358
Cash and cash equivalents at the beginning of the period		3,206,821	3,098,084
Effects of exchange rate changes on cash and cash equivalents		16,165	74,031
Cash and cash equivalents at the end of the period	21	2,163,500	3,301,473

The notes on pages 58 to 106 are an integral part of these condensed consolidated financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

XD Inc. (the “**Company**”) is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 25 January 2019, and was listed on the Stock Exchange of Hong Kong Limited on 12 December 2019.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the “**Group**”) are principally engaged in the development, operation, publishing and distribution of mobile and web games and operation of Taptap, a game community and platform, in the People’s Republic of China (the “**PRC**”) and other countries and regions.

The condensed consolidated financial statements for the six months ended 30 June 2024 (the “**Interim Financial Statements**”) are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) unless otherwise stated.

2 BASIS OF PREPARATION

The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”), “Interim Financial Reporting”.

The Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as set out in 2023 annual report of the Company dated 28 March 2024 (the “**2023 Financial Statements**”).

3 MATERIAL ACCOUNTING POLICY INFORMATION

Except for the estimation of income tax (Note 9), redemption liability for arrangement on non-controlling interests (Note 23) and described as below, the accounting policies adopted in the Interim Financial Statements are generally consistent with those applied in the preparation of 2023 Financial Statements in all material aspects.

3 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2024:

- Classification of Liabilities as current and non-current — Amendments to IAS 1
- Non-current Liabilities with Covenants — Amendments to IAS 1
- Lease Liability in a Sale and Leaseback — Amendments to IFRS 16
- Supplier Finance Arrangements — Amendments to IAS 7 and IFRS 7

The new and revised standards above will not have a material effect on the Interim Financial Statements. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

A number of new standards and amendments to standards have not come into effect for the financial year beginning 1 January 2024 and have not been early adopted by the Group in preparing the Interim Financial Statements. None of these is expected to have a significant effect on the Interim Financial Statements based on the preliminary assessment made by management.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the 2023 Financial Statements.

There were no significant changes in any material risk management policies during the six months ended 30 June 2024.

4.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other owners and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 Capital management (Continued)

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets. As at 30 June 2024 and 31 December 2023, the gearing ratio of the Group is as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Total liabilities	1,449,165	2,540,691
Total assets	3,380,158	4,409,442
Gearing ratio (%)	42.9%	57.6%

4.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements.

(a) Fair value hierarchy

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

As at 30 June 2024 and 31 December 2023, none of the Group's financial liabilities are measured at fair value, and none of the Group's financial assets are measured at fair value using level 1 or level 2 inputs. The following table presents the Group's financial assets that are measured at fair value using level 3 inputs:

	Notes	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Long-term investments measured at fair value through profit or loss	17	18,841	18,840
Short-term investments measured at fair value through profit or loss	20	118,214	147,657
		137,055	166,497

(b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items including investments in unlisted companies and wealth management products issued by commercial banks for the six months ended 30 June 2024 and 2023.

(i) Investments in unlisted companies

	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
At the beginning of the period	18,840	24,565
Changes in fair value	—	(298)
Currency translation differences	1	5
At the end of the period	18,841	24,272
* includes unrealized gains recognised in profit or loss attributable to balances held at the end of the period	(20,928)	(22,511)

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(b) Fair value measurements using significant unobservable inputs (level 3) (Continued)

(ii) *Wealth management products issued by commercial banks*

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	147,657	194,780
Addition	194,000	230,000
Changes in fair value	1,861	3,737
Disposal	(225,304)	(343)
Currency translation differences	—	—
At the end of the period	118,214	428,174
* includes unrealized gains recognised in profit or loss attributable to balances held at the end of the period	4,214	8,174

(c) Valuation process and techniques

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

As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including:

- the use of quoted market prices or dealer quotes for similar instruments;
- the discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- the latest round financing, i.e. the prior transaction price or the third-party pricing information; and
- a combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

There were no change to valuation techniques during the reporting period.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

(d) Valuation inputs and relationship to fair value

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair value as at		Unobservable inputs	Range of inputs as at		Relationship of unobservable inputs to fair value
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)		30 June 2024	31 December 2023	
Investments in unlisted companies	18,841	18,840	Expected volatility	52.80%- 72.45%	52.80%- 72.45%	The higher the expected volatility, the higher the fair value
			Discount for lack of marketability ("DLOM")	25%	25%	The higher the DLOM, the lower the fair value
Wealth management products issued by commercial banks	118,214	147,657	Expected rate of return	2.30%- 3.19%	2.55%- 3.86%	The higher the expected rate of return, the higher the fair value

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2023 Financial Statements.

6 SEGMENT INFORMATION AND REVENUE

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

Game segment

The game segment offers game publishing and operating services on its own and via other Distribution Channels. Revenues from the game segment are primarily derived from game publishing and operating services.

TapTap platform segment (previously known as "information service segment")

The TapTap platform segment offers online marketing services to game developers, game publishers or their agents, through the Group's self developed leading game community and platform. Revenues from Taptap platform segment are primarily derived from performance-based online marketing services.

The CODM assesses the performance of the operating segments mainly based on segment revenues and cost of revenues of each operating segment. Thus, segment result would present revenues, cost of revenues and gross profit for each segment, which is in line with CODM's performance review.

The Group's cost of revenues for the game segment primarily consists of (a) commission paid to Payment Channels and Distribution Channels; (b) sharing of proceeds to game developers; (c) bandwidth and server custody fees; (d) amortization of intangible assets; and (e) employee benefit expenses.

The Group's cost of revenues for the Taptap platform segment primarily consists of (a) bandwidth and server custody fees; (b) employee benefits expenses; and (c) amortization of intangible assets.

There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

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

The reconciliation of gross profit to profit before income tax is shown in the condensed consolidated statement of comprehensive income.

6 SEGMENT INFORMATION AND REVENUE (Continued)

The segment information provided to the Group's CODM for the reportable segments is as follows:

(Unaudited)	Six months ended 30 June 2024		
	Game segment	TapTap platform segment	Total
	RMB'000	RMB'000	RMB'000
Game operating revenues			
— Online Games (free-to-play)	1,425,896	—	1,425,896
— Premium Games (pay-to-play)	55,178	—	55,178
Subtotal	1,481,074	—	1,481,074
Online marketing service revenue	—	706,968	706,968
Others	5,183	27,342	32,525
Total revenues	1,486,257	734,310	2,220,567
Cost of revenues	(595,409)	(128,347)	(723,756)
Gross profit	890,848	605,963	1,496,811
Gross margin	60%	83%	67%

6 SEGMENT INFORMATION AND REVENUE (Continued)

(Unaudited)	Six months ended 30 June 2023		
	Game segment	TapTap platform segment	Total
	RMB'000	RMB'000	RMB'000
Game operating revenues			
— Online Games (free-to-play)	1,080,122	—	1,080,122
— Premium Games (pay-to-play)	64,535	—	64,535
Subtotal	1,144,657	—	1,144,657
Online marketing service revenue	—	582,107	582,107
Others	5,213	21,125	26,338
Total revenues	1,149,870	603,232	1,753,102
Cost of revenues	(606,367)	(109,474)	(715,841)
Gross profit	543,503	493,758	1,037,261
Gross margin	47%	82%	59%

Revenues of approximately RMB712 million and RMB614 million for the six months ended 30 June 2024 and 2023, respectively, were from five largest single external customers.

Revenue from one customer in TapTap platform segment accounts for 15% and 19% of the Group's total revenue during the six months ended 30 June 2024 and 2023, respectively.

6 SEGMENT INFORMATION AND REVENUE (Continued)

The table below sets forth a breakdown of the Group's revenue by timing of recognition for the six months ended 30 June 2024 and 2023, respectively:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Service transferred at a point of time	1,224,261	1,118,159
Service transferred overtime	996,306	634,943
	2,220,567	1,753,102

The table below sets forth a breakdown of the Group's game operating revenue by geographical areas for the six months ended 30 June 2024 and 2023, respectively:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	862,829	769,973
Other areas (Note a)	618,245	374,684
Total	1,481,074	1,144,657

Note:

- (a) Revenue from other areas mainly includes revenue from local versions operated in Hong Kong, Macao, Taiwan province of China, Southeast Asia, North America and South Korea.

7 EXPENSES BY NATURE

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Promotion and advertising expenses	633,437	273,306
Employee benefits expenses	537,378	570,811
Commissions charged by payment channels and distribution channels	303,830	172,765
Sharing of proceeds to game developers	184,852	295,049
Bandwidth and server custody fee	120,092	122,385
Professional and technical service fee	78,970	84,132
Share-based compensation expenses (Note 31)	28,232	26,636
Depreciation of right-of-use assets (Note 14)	19,894	24,553
Office expenses	18,439	19,312
Amortization of intangible assets (Note 13)	13,847	21,352
Depreciation of property, plant and equipment (Note 13)	12,731	33,113
VAT input transfer out and tax surcharges	12,319	13,820
Rental expenses and utilities	6,128	5,335
Auditor's remuneration		
— Audit service	2,070	2,120
— Non-audit service	195	390
Impairment of non-financial assets	1,458	6,025
Net impairment reversal on financial assets	(873)	(1,868)
Others	3,018	4,708
Total	1,976,017	1,673,944

8 OTHER INCOME

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government subsidies	5,440	36,957
Interest income from short-term investments measured at amortized cost	—	2,212
Others	—	196
Total	5,440	39,365

There are no unfilled conditions or contingencies related to the above government subsidies.

9 OTHER GAINS, NET

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Foreign exchange gains, net	11,830	1,236
Net gain on repurchase of convertible bonds	4,975	—
Fair value changes of long-term investments measured at fair value through profit or loss (Note 17(a))	—	(298)
Fair value changes of wealth management products issued by commercial banks	1,861	3,737
Others	1,857	(505)
Total	20,523	4,170

10 FINANCE INCOME, NET

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income from bank deposits	18,381	45,022
Finance costs		
Interest expenses on convertible bond (Note 28)	(8,701)	(24,757)
Interest expenses on lease liabilities	(4,283)	(6,073)
Interest expenses on borrowings	(1,715)	—
Bank charges	(908)	(3,416)
Finance income, net	2,774	10,776

11 INCOME TAX EXPENSES

Income tax expense is recognised based on the management's best knowledge of the effective income tax rates expected for the full financial year.

Cayman Islands

Under the current laws of the Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in British Virgin Islands are not subject to tax on their income or capital gains.

Hong Kong

Hong Kong profits tax rate is 16.5%.

11 INCOME TAX EXPENSES (Continued)

Singapore

Singapore profits tax rate is 17%.

PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the six months ended 30 June 2024 and 2023.

Certain subsidiaries of the Group in the PRC, accordingly, are qualified as "high and new technology enterprise" and entitled to a preferential income tax rate of 15% during the six months ended 30 June 2024 and 2023.

Certain subsidiary is accredited as a "software enterprise" under the relevant PRC laws and regulations. They are exempt from CIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years (the "**tax holiday**").

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2018 onwards, enterprises engaged in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("**Super Deduction**"). According to the relevant laws and regulations that was effective from 2022, the tax deductible ratio was increased to 200%. The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during six months ended 30 June 2024 and 2023.

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. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between China and the jurisdiction of the foreign investors.

Since the Group intends to permanently reinvest earnings to further expand its businesses in PRC, it does not intend to declare dividends to its immediate foreign holding entities in the foreseeable future. Accordingly, no deferred income tax liability on WHT was accrued at the end of each reporting period. Cumulative undistributed earnings of the Company's PRC subsidiaries intended to be permanently reinvested were RMB1,541 million as of 30 June 2024.

11 INCOME TAX EXPENSES (Continued)

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current income tax	3,854	7,321
Deferred income tax (Note 15)	27,600	37,708
Total income tax expenses	31,454	45,029

12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the respective periods.

	Six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	205,102	90,194
Weighted average number of shares in issue (thousands)	472,092	472,014
Basic earnings per share (in RMB)	0.43	0.19

12 EARNINGS PER SHARE (Continued)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. For the six months ended 30 June 2024 and 2023, the Group had potential dilutive ordinary shares arising from convertible bonds and share options.

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	205,102	90,194
Weighted average number of shares in issue (thousands)	472,092	472,014
Adjustments for share options (thousands)	2,235	915
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share (thousands)	474,327	472,929
Diluted earnings per share (in RMB)	0.43	0.19

13 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(Unaudited)	Property, plant and equipment RMB'000	Intangible assets (including goodwill) RMB'000
Six months ended 30 June 2023		
Opening net book amount	96,211	256,381
Additions	1,035	964
Depreciation	(33,113)	(21,352)
Disposal	(377)	—
Currency translation impact	43	514
Closing net book amount	63,799	236,507
Six months ended 30 June 2024		
Opening net book amount	43,693	233,416
Additions	1,263	21,860
Depreciation	(12,731)	(13,847)
Disposal	(636)	—
Currency translation impact	(6)	(66)
Closing net book amount	31,583	241,363

Impairment of goodwill

There is no indicator for impairment of goodwill as of 30 June 2024. For details of goodwill impairment assessment for the year ended 31 December 2023, please refer to the 2023 Financial Statements.

14 RIGHT-OF-USE ASSETS

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Properties		
Opening net book amount	192,680	271,256
Additions	6,019	1,251
Early termination	—	(34,158)
Reduction in lease payments	(7,587)	—
Depreciation (Note 7)	(19,894)	(24,553)
Currency translation differences	(20)	30
Closing net book amount	171,198	213,826

The condensed consolidated statement of comprehensive income and the condensed consolidated statement of cash flows contain the following amounts relating to leases:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation charge of right-of-use assets (Note 7)	19,894	24,553
Interest expenses (Note 10)	4,283	6,073
Expenses relating to short-term leases	1,044	1,044
The cash outflow for leases payment related to short-term lease as operating activities	1,044	1,044
The cash outflow for leases as financing activities	20,114	26,080

15 DEFERRED INCOME TAXES

The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

Deferred tax assets

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
The balance comprises temporary differences attributable to:		
— Tax losses	29,566	46,733
— Lease liabilities	33,916	37,684
— Long term investments accounted for using the equity method or measured at fair value through profit or loss	4,860	4,860
— Expected credit loss provision	759	930
— Intangible assets	7	11
— Promotional and advertising expenses	—	14,482
Total gross deferred tax assets	69,108	104,700
Set-off of deferred tax liabilities pursuant to set-off provisions	(47,787)	(55,780)
Net deferred tax assets	21,321	48,920
— to be recovered within 12 months	41,523	75,425
— to be recovered after 12 months	27,585	29,275
	69,108	104,700

15 DEFERRED INCOME TAXES (Continued)

Deferred tax liabilities

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
The balance comprises temporary differences attributable to:		
— Right-of-use assets	32,479	36,581
— Long term investments accounted for using the equity method or measured at fair value through profit or loss	10,514	11,896
— Intangible assets arising from business combinations	4,794	5,389
— Short term investments measured at fair value through profit or loss	—	1,914
Total gross deferred tax liabilities	47,787	55,780
Set-off of deferred tax assets pursuant to set-off provisions	(47,787)	(55,780)
Net deferred tax liabilities	—	—
— to be recovered within 12 months	12,451	16,586
— to be recovered after 12 months	35,336	39,194
	47,787	55,780

15 DEFERRED INCOME TAXES (Continued)

Deferred tax assets

The movement on the gross deferred income tax assets is as follows:

	Tax losses	Promotional and advertising expenses	Lease liabilities	Long term investments accounted for using the equity method or measured at fair value through profit or loss	Expected credit loss provision	Intangible assets	Total
(Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	77,620	14,937	49,903	—	683	19	143,162
Recognized in profit or loss	(36,358)	(1,096)	(8,815)	—	(284)	(4)	(46,557)
Currency translation differences	—	—	(3)	—	—	—	(3)
At 30 June 2023	41,262	13,841	41,085	—	399	15	96,602
(Unaudited)							
At 1 January 2024	46,733	14,482	37,684	4,860	930	11	104,700
Recognized in profit or loss	(17,167)	(14,482)	(3,765)	—	(171)	(4)	(35,589)
Currency translation differences	—	—	(3)	—	—	—	(3)
At 30 June 2024	29,566	—	33,916	4,860	759	7	69,108

15 DEFERRED INCOME TAXES (Continued)

Deferred tax liabilities

The movement on the gross deferred income tax liabilities is as follows:

(Unaudited)	Right-of-use assets RMB'000	Intangible assets arising from business combinations RMB'000	Long term investments accounted for using the equity method or measured at fair value through profit or loss RMB'000	Short term investments measured at fair value through profit or loss RMB'000	Total RMB'000
At 1 January 2023	49,086	6,578	10,205	1,109	66,978
Recognized in profit or loss	(9,274)	(595)	85	935	(8,849)
Currency translation differences	5	—	—	—	5
At 30 June 2023	39,817	5,983	10,290	2,044	58,134
(Unaudited)					
At 1 January 2024	36,581	5,389	11,896	1,914	55,780
Recognized in profit or loss	(4,099)	(594)	(1,382)	(1,914)	(7,989)
Currency translation differences	(3)	(1)	—	—	(4)
At 30 June 2024	32,479	4,794	10,514	—	47,787

The Group only recognizes deferred income tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilize those tax losses. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. As at 30 June 2024 and 31 December 2023, the Group did not recognize deferred income tax assets of RMB740 million and RMB723 million, in respect of cumulative tax losses amounting to RMB4,442 million and RMB4,344 million. These tax losses will expire from 2024 to 2034.

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	122,561	124,734
Share of results of associates	8,746	24,512
Dividends	(18,000)	(7,200)
Impairment (Note a)	—	(10,164)
Currency translation differences	8	96
At the end of the period	113,315	131,978

- (a) During the six months ended 30 June 2024 and 2023, the Group recognized impairment provisions of nil and RMB10 million respectively against their carrying amount of certain investments, which was based on their recoverable amounts. The Group determined the recoverable amounts of these investments based on their fair value less costs of disposal.

In the opinion of the directors, none of the associates is material to the Group. Aggregated amount of the Group's share of results of individually immaterial associates accounted for using the equity method is as follows:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Aggregate amounts of the Group's share of:		
— Profit from operations	8,746	24,512

17 LONG TERM INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Movements in long term investments measured at fair value through profit or loss during the six months ended 30 June 2024 and 2023, are as follows:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	18,840	24,565
Change in fair value (Note 9)	—	(298)
Currency translation differences	1	5
At the end of the period	18,841	24,272

As at 30 June 2024 and 31 December 2023, all long term investments measured at fair value through profit or loss are equity investments in unlisted companies held by the Group. The Group has determined the fair value of these financial assets based on certain valuation techniques as disclosed in Note 4.3.

Long term investments measured at fair value through profit or loss included:

	As at	As at
	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Investments in associates at fair value through profit or loss (Note a)	18,133	18,133
Other investments at fair value through profit or loss (Note b)	708	707
	18,841	18,840

17 LONG TERM INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

- (a) During the six months ended 30 June 2024 and 2023, the Group made investments in associates in the form of redeemable instruments and designated them at fair value through profit or loss. The Group has significant influence in these companies.

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	18,133	19,759
Change in fair value	—	(298)
At the end of the period	18,133	19,461

- (b) The Group also has interests in certain investee companies in form of ordinary shares without significant influence, which are managed and their performance are evaluated on a fair value basis. The Company designated these instruments as long term investments measured at fair value through profit or loss.

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	707	4,806
Change in fair value	—	—
Currency translation differences	1	5
At the end of the period	708	4,811

As at 30 June 2024 and 31 December 2023, the balance of the Group's long term investments measured at fair value through profit or loss comprised a number of individual investments, none of the investment is material to the Group.

18 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Non-current		
Prepayments for game licenses (Note a)	19,008	23,519
Rental and other deposits	13,665	12,706
	32,673	36,225
Current		
Prepayments for game proceeds (Note b)	16,687	11,662
Game merchandise	13,394	10,015
Rental and other deposits	8,064	13,730
Prepayments to other service providers	5,798	9,493
Prepayments for advertisements and marketing services	4,786	7,380
Tax prepayments	1,864	12,507
Others	8,749	7,253
Less: allowance for impairment	(125)	(220)
	59,217	71,820

- (a) The Group licenses online games from game developers and pays game license fees to game developers. The prepayments for game license fees are transferred to intangible assets when the Group receives related licensed games.
- (b) The Group operates TapTap platform whereby game players can download games published by game developers. The Group provides payment solution to game developers free of commission for their games published on TapTap platform operated under a “pay to play” model. In order to attract game developers to TapTap platform, the Group makes prepayments to game developers and the prepayments will be offset against proceeds received from game players for downloading games.

The Group regularly assesses the possibility whether relevant games could be successfully published and estimates the future return from these games to assess impairment indicator of those prepayments. During the six months ended 30 June 2024 and 2023, the Group made impairment provision for and write-off certain prepayments to game developers of RMB1.46 million and RMB6.03 million, respectively, due to underperformance of related games.

19 TRADE RECEIVABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Distribution Channels and game publishers	275,247	166,925
Online marketing service customers	136,559	122,778
Others	631	1,428
	412,437	291,131
Less: allowance for impairment	(3,504)	(4,322)
	408,933	286,809

- (a) Distribution channels and game publishers and online marketing service customers usually settle the amounts within 30–120 days. Related parties are granted with a credit period of 90 days. Aging analysis of trade receivables based on the recognition date of the gross trade receivables at the respective reporting dates are as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 3 months	388,255	273,431
3 months to 6 months	20,989	13,109
6 months to 1 year	1,086	1,640
1 to 2 years	1,480	2,284
Over 2 years	627	667
	412,437	291,131

19 TRADE RECEIVABLES (Continued)

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2024 and 31 December 2023 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the consumer price index (CPI) and gross domestic product (GDP) of the countries in which it operates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	4,322	3,918
Reversal	(779)	(1,966)
Write-off	(40)	(3)
Currency translation differences	1	6
At the end of the period	3,504	1,955

The reversal of provisions for impaired receivables have been included in "Net impairment reversal on financial assets" in the condensed consolidated statement of comprehensive income.

- (c) The directors of the Group considered that the carrying amounts of the trade receivables balances approximated their fair value as at 30 June 2024 and 31 December 2023.

19 TRADE RECEIVABLES (Continued)

(d) The carrying amount of the Group's trade receivables is denominated in the following currencies:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
USD	249,497	135,537
RMB	152,901	139,978
HKD	5,808	9,788
Others	4,231	5,828
	412,437	291,131

(e) The maximum exposure to credit risk as at 30 June 2024 and 31 December 2023 was the carrying value of the trade receivables. The Group did not hold any collateral as security.

20 SHORT-TERM INVESTMENTS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Wealth management products issued by commercial banks (Note a)	118,214	147,657

(a) Returns on these wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. The fair values are based on discounted cash flow using the expected return based on management judgment (Note 4.3). Changes in fair value of these financial assets had been recognized in "Fair value changes on investments measured at fair value through profit or loss" in the consolidated statement of comprehensive income.

20 SHORT-TERM INVESTMENTS (Continued)

The carrying amount of the Group's short-term investments is denominated in the following currencies:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
RMB	118,214	147,657

21 CASH AND CASH EQUIVALENTS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Cash on hand and cash in bank	1,720,723	3,146,083
Term deposits with initial terms within three months (Note a)	334,389	—
Cash held by other financial institutions (Note b)	108,388	60,738
	2,163,500	3,206,821

(a) The interest rates of these deposits per annum were 4.95%–5.32%.

(b) As at 30 June 2024 and 31 December 2023, the Group had certain amounts of cash held in accounts managed by other financial institutions, such as Alipay and WeChat Pay in connection with the provision of online and mobile payment services which have been classified as cash and cash equivalents on the consolidated statement of financial position.

21 CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents are denominated in the following currencies:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
RMB	1,331,340	1,066,951
USD	721,533	1,937,992
HKD	66,629	162,426
Others	43,998	39,452
	2,163,500	3,206,821

22 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEME

(Unaudited)	Number of shares '000	Nominal value of shares USD'000	Equivalent nominal value of shares RMB'000	Share premium RMB'000	Shares held for share award schemes (Note a) RMB'000
Authorized					
As at 30 June 2024 and 31 December 2023	1,000,000	100	—	—	—
Issued and fully paid					
As at 1 January 2023	480,431	48	329	7,035,801	(6)
Exercise of share options	22	—*	—*	489	—
As at 30 June 2023	480,453	48	329	7,036,290	(6)
As at 1 January 2024	480,453	48	329	7,036,290	(6)
Exercise of share options	186	—*	—*	2,648	—
As at 30 June 2024	480,639	48	329	7,038,938	(6)

* The amount is less than 1,000

22 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEME (Continued)

- (a) On 17 June 2019, the Company allotted and issued an aggregate of 8,437,540 shares to Heart Assets Limited, which hold shares on trust for and on behalf of the Company. As at 30 June 2024, 2,240,134 shares have been granted by the Group for share-based compensation to employees.

23 OTHER RESERVES

(Unaudited)	Capital reserve RMB'000	Statutory reserves RMB'000	Currency translation differences RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
As at 1 January 2023	(4,452,620)	71,348	(98,263)	102,280	(4,377,255)
Share-based compensation expenses (Note 31)	—	—	—	26,636	26,636
Exercise of share options	—	—	—	(164)	(164)
Currency translation differences	—	—	11,910	—	11,910
As at 30 June 2023	(4,452,620)	71,348	(86,353)	128,752	(4,338,873)
(Unaudited)					
As at 1 January 2024	(4,640,551)	73,056	(76,902)	153,480	(4,490,917)
Share-based compensation expenses (Note 31)	—	—	—	28,232	28,232
Repurchase of convertible bond (Note 28)	(20,869)	—	—	—	(20,869)
Redemption of convertible bond (Note 28)	(55,513)	—	—	—	(55,513)
Exercise of share options	—	—	—	(868)	(868)
Appropriation to statutory reserves	—	21,063	—	—	21,063
Transaction with non-controlling interests (i)	(195,531)	—	—	—	(195,531)
Currency translation differences	—	—	(5,744)	—	(5,744)
As at 30 June 2024	(4,912,464)	94,119	(82,646)	180,844	(4,720,147)

23 OTHER RESERVES (Continued)

Redemption liability for buy back arrangement on non-controlling interests

If the Group does not have the unconditional right to avoid delivering cash or other financial instruments to buy back its subsidiary's shares, a financial liability is initially recognized at the present value of redemption amount to buy back the shares in the consolidated financial statements. When the risks and rewards associated with the subsidiary's shares remain with the non-controlling interest shareholders, the Group recognises a corresponding reduction to "other reserve" attributable to the equity holders of the Company. Subsequently, if the Group revises its estimates of payments, the Group adjusts the carrying amount of the financial liability to reflect actual and revised estimated cash outflows. The Group recalculates the carrying amount based on the present value of revised estimated future cash outflows at the financial instrument's original effective interest rate and the adjustment is recognized through equity before the non-controlling interest is derecognised. In the event that the arrangement expires unexercised, the carrying amount of the financial liability is derecognized with a corresponding adjustment to equity.

- (i) On 25 June 2024, the annual general meeting of the Company approved a share repurchase contract of purchasing 35% shares in X.D. Global (HK) Limited ("**XDGHK**") held by its non-controlling shareholders ("**NCI holders**"). Initial consideration of such purchasing included, 1) issuance of 9,600,000 shares of the Company to the NCI holders at HKD14.20 per share, and 2) USD4.3 million in cash. The initial consideration shall be subject to further adjustments, a deduction amount to be determined by a formula based on operation performance of XDGHK in 2024 and 2025 ("**consideration adjustment**"). The purchase was not completed as certain conditions were not met as of 30 June 2024. The contract created contingent obligation to purchase the Company's subsidiary's shares. While risks and rewards of related shares reside with NCI holders before the purchase is approved by regulator and completed. The Group recognized a redemption liability at the present value of the redemption amount, which is estimated to be equal to the fair value of initial consideration on 25 June 2024 and a corresponding deduction to "other reserves" in the consolidated financial statements. Subsequent changes of the financial liability before completion of the purchase were also recorded through "other reserve". The asset related to consideration adjustment will be recognised at fair value with subsequent changes in profit and losses since the completion of the purchase and derecognition of non-controlling interest.

24 LEASE LIABILITIES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Minimum lease payments due		
— Within 1 year	46,018	46,488
— Between 1 and 2 years	47,909	46,136
— Between 2 and 5 years	112,706	135,517
— Over 5 years	—	—
	206,633	228,141
Less: future finance charges	(20,684)	(24,882)
Present value of lease liabilities	185,949	203,259

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Minimum lease payments due		
— Within 1 year	43,651	44,623
— Between 1 and 2 years	44,517	42,785
— Between 2 and 5 years	97,781	115,851
— Over 5 years	—	—
	185,949	203,259

25 TRADE PAYABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade payables	231,352	194,906

Trade payables are primarily related to the purchase of services for server custody, advertisement and sharing of proceeds due to game developers. The credit terms of trade payables granted to the Group are usually 0 to 90 days.

Aging analysis of trade payables based on the recognition date of the trade payables at the respective reporting dates are as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 3 months	230,480	194,846
Over 3 months	872	60
	231,352	194,906

25 TRADE PAYABLES (Continued)

The carrying amount of the Group's trade payables is denominated in the following currencies:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
RMB	204,782	131,223
USD	22,311	53,800
SGD	4,259	9,883
	231,352	194,906

As at 30 June 2024 and 31 December 2023, the fair value of trade payables approximated to their carrying amount.

26 OTHER PAYABLES AND ACCRUALS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Financial liability from transaction with non-controlling interests (Note 23)	195,531	—
Salaries and benefits payables	164,989	225,418
Other tax payables	22,304	27,758
Others	20,396	22,063
	403,220	275,239

As at 30 June 2024 and 31 December 2023, other payables and accruals were denominated in RMB and the fair values of these balances approximated to their carrying amounts.

27 CONTRACT LIABILITIES

Contract liabilities primarily consists of the unamortised revenue from sales of virtual items for mobile games, where there is still obligation to be provided by the Group to game players.

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Contract liabilities	351,056	180,780

The following table shows the amount of revenue recognized in the consolidated statement of comprehensive income for the respective periods relating to contract liabilities brought forward:

	Six months ended June 30, 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue recognized that was included in the contract liabilities balance at the beginning of the period	179,839	150,772

28 CONVERTIBLE BONDS

Issue of convertible bonds

On 12 April 2021, the Company issued convertible bonds (the “**2021 Convertible Bonds**”) at a par value of USD200,000 each with the aggregate principal amounts of USD280 million. The 2021 Convertible Bonds bear an interest of 1.25% per annum payable semi-annually and will mature on 12 April 2026.

Bondholders have the right, at such holder’s option, to require the Company to redeem all or some only of such holder’s bonds on 12 April 2024 at their principal amount, together with accrued and unpaid interest thereon (the “**Early Redemption Option**”).

Bondholders may convert their bonds into ordinary shares at any time on or after 23 May 2021 up to the close of business on the seventh day prior to 12 April 2026. Conversion shares will be issued upon full conversion of the 2021 Convertible Bonds based on the conversion price of HKD63.45 with a fixed exchange rate of 7.7746 HKD/USD.

28 CONVERTIBLE BONDS (Continued)

Issue of convertible bonds (Continued)

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each bond at its principal amount, together with accrued and unpaid interest thereon, on the 12 April 2026 or in certain circumstances specified in the agreements.

The 2021 Convertible Bonds is a compound instrument included a liability component and an equity component. There are embedded derivatives in respect of the early redemption features of the 2021 Convertible Bonds. Such embedded derivatives are deemed to be clearly and closely related to the host contract and therefore do not need to be separately accounted for.

Subsequent to the initial recognition, the liability component of the 2021 Convertible Bonds was carried at amortized cost using the effective interest method. The effective interest rate of the liability component of the 2021 Convertible Bonds was 2.4% per annum for the six months ended 30 June 2023 and 2024. The equity component will remain in convertible bond equity reserve until the embedded conversion option is exercised or the 2021 Convertible Bonds mature.

Early Redemption Option

Management constantly monitors and assesses the likelihood whether the Early Redemption Option will be exercised. During the year ended 31 December 2023, Management estimated that it is more likely than not that bond holders will exercise the Early Redemption Option given the current market environment. Thus, the Company recalculated the amortised cost of the liability component as the present value of the revised estimated contractual cash flows, discounted at the original effective interest rate of 2.4% per annum. The difference between the recalculated amount and the carrying amount of RMB55 million was recognised as “finance costs” in the statement of comprehensive loss. As of 31 December 2023, RMB1,553 million of the 2021 Convertible Bonds are reclassified as current liabilities.

On 13 March 2024, the Company received notice of redemption from the holders to redeem all outstanding 2021 Convertible Bonds with an aggregate principal amount of USD159,600,000. As of 30 June 2024, all of the outstanding convertible bonds have been redeemed and cancelled, and there are no outstanding convertible bonds in issue.

Repurchase

In January 2024, the Company repurchased convertible bonds with principal amounts of USD60.0 million. The repurchase price and transaction costs were allocated between the liability component and the equity component on the same basis that was used in the original allocation process. The allocated liability component amount was RMB422.0 million and the carrying amount of the liability component upon the repurchase was RMB427.0 million. The difference of RMB5.0 million between the carrying amount and the allocated repurchase price and transaction costs was recognised as “other gains, net” in the statement of comprehensive income (Note 9). The allocated equity component amount was RMB0.7 million and the carrying amount of the equity component upon the repurchase was RMB20.9 million. The difference of RMB20.2 million between the carrying amount and the allocated repurchase price and transaction costs was recognised in accumulated deficit accordingly.

28 CONVERTIBLE BONDS (Continued)

Repurchase (Continued)

The movement of the liability component and the equity component of the 2021 Convertible Bonds for the six months ended 30 June 2024 and 2023 is set out below:

(Unaudited)	Liability component RMB'000	Equity component RMB'000	Total RMB'000
As at 1 January 2023	1,829,478	95,512	1,924,990
Interest charged	24,757	—	24,757
Interest paid	(11,892)	—	(11,892)
Currency translation differences	69,164	—	69,164
As at 30 June 2023	1,911,507	95,512	2,007,019

(Unaudited)	Liability component RMB'000	Equity component RMB'000	Total RMB'000
As at 1 January 2024	1,553,147	76,382	1,629,529
Interest charged	8,701	—	8,701
Interest paid	(7,087)	—	(7,087)
Repurchase	(426,961)	(20,869)	(447,830)
Redemption	(1,137,335)	(55,513)	(1,192,848)
Currency translation differences	9,535	—	9,535
As at 30 June 2024	—	—	—

29 BORROWINGS

The Group's borrowings are unsecured bank loans, mature until January 2025 and bear interest ranging from 3.00% to 3.45% annually. At 30 June 2024, the group's borrowings were repayable as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Unaudited)
Within one year	130,564	—

30 DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended 30 June 2024 and 2023.

In April 2024, pursuant to the resolution of the shareholders' meeting of X.D. Global (HK) Limited, a subsidiary of the Group, a dividend of USD6.5 million was approved and paid, USD2.28 million (equivalent to RMB16.16 million) of which was paid to the non-controlling shareholders.

In May 2023, pursuant to the resolution of the shareholders' meeting of X.D. Global (HK) Limited, a subsidiary of the Group, a dividend of USD15 million was approved and paid, USD5.25 million (equivalent to RMB36.38 million) of which was paid to the non-controlling shareholders.

31 SHARE-BASED COMPENSATION EXPENSES

(a) Share Option Scheme

As of 30 June 2024, the Group has authorized and reserved a total of 48,043,070 ordinary shares under the Share Option Scheme for awards of options of the Company's ordinary shares.

There is typically no performance target or minimum period for which an option must be held before it can be exercised, except for certain options which have graded vesting terms and vest in tranches from the grant date over the vesting period, on condition that employee remain in service without performance requirements. The option must be exercised no more than 10 years from the grant date.

31 SHARE-BASED COMPENSATION EXPENSES (Continued)

(a) Share Option Scheme (Continued)

Movements in the number of share options granted and their related weighted average exercise prices are as follows:

(Unaudited)	Number of share options	Weighted average exercise price per share option (HKD)
Outstanding as of 1 January 2023	10,375,181	33.56
Granted during the period	1,556,796	26.62
Exercised during the period	(22,407)	16.72
Outstanding as of 30 June 2023	11,909,570	32.68
Vested and exercisable as of 30 June 2023	9,219,912	31.42
(Unaudited)		
Outstanding as of 1 January 2024	14,173,697	30.01
Granted during the period	7,115,859	13.05
Exercised during the period	(185,986)	10.40
Forfeited during the period*	(3,657,935)	37.01
Outstanding as of 30 June 2024	17,445,635	21.83
Vested and exercisable as of 30 June 2024	17,445,635	21.83

* During the six months ended 30 June 2024, certain employees forfeited unvested options upon resignation.

The weighted average remaining contractual life of outstanding share options is 8.70 years as of 30 June 2024 (31 December 2023: 8.84 years).

31 SHARE-BASED COMPENSATION EXPENSES (Continued)

(a) Share Option Scheme (Continued)

The Group has used Binomial model to determine the fair value of the share option as of the grant date. Key assumptions are set as below:

	Six months ended 30 June	
	2024	2023
Risk-free interest rates	3.06%–3.62%	2.90%–3.27%
Expected term — years	2.2–2.8	2.2–2.8
Expected volatility	50.29%–50.56%	47.00%–47.57%
Fair value of share options	4.63–8.00	12.21–14.37
Exercise price	9.31–14.39	25.86–27.79

The weighted average fair value of options granted during the six months ended 30 June 2024 and 2023 was HKD6.64 and HKD12.75 per share option, respectively.

(b) Restricted Share Unit Scheme

- i) On 3 June 2019 (the “**2019 adoption date**”), the Company adopted the 2019 Restricted Share Unit (RSU) Scheme (the “**2019 RSU scheme**”) to attract and retain the services of elite employees or persons who contributed to the Group. Pursuant to the 2019 RSU scheme, the Company allotted and issued an aggregate of 8,437,540 shares to Heart Assets Limited, which hold shares on trust for and on behalf of the grantees or the Company. The RSU Scheme is valid and effective for 10 years from the 2019 adoption date.

The RSUs awarded vest in tranches from the vesting commencement date over the designated service period, subject to the terms applicable to each grant. Once the vesting conditions of the RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.

31 SHARE-BASED COMPENSATION EXPENSES (Continued)

(b) Restricted Share Unit Scheme (Continued)

i) (Continued)

During the six months ended 30 June 2024, 2,240,134 RSU was granted to eligible grantees. Movements in the number of RSUs and their related weighted average grant date fair value are as follows:

(Unaudited)	Number of RSUs	Weighted average grant date fair value per RSU (HKD)
Outstanding as of 1 January 2024	—	—
Granted during the period	2,240,134	10.91
Outstanding as of 30 June 2024	2,240,134	10.91

The fair value of each RSU at the grant dates is determined by reference to the fair value of the underlying ordinary shares on the date of grant.

ii) Pursuant to the board of directors resolution passed on 7 May 2024 (the “2024 adoption date”), the Company adopted the 2024 RSU Scheme. The 2024 RSU Scheme is valid and effective for 10 years from the 2024 adoption date. As of 30 June 2024, the Group has authorized and reserved a total of 14,417,517 shares under the 2024 RSU Scheme for awards of RSUs of the Company’s shares. The maximum number of awards which may be granted under the 2024 RSU Scheme shall not exceed 14,417,517 shares. As of 30 June 2024, no RSU was granted under the 2024 RSU Scheme.

(c) Expenses arising from share-based payment transactions

The share-based compensation expenses have been charged to the consolidated statements of comprehensive income for the six months ended 30 June 2024 and 2023 as follows:

(Unaudited)	Six months ended 30 June	
	2024	2023
	RMB’000	RMB’000
Cost of revenues	193	171
Selling and marketing expenses	450	87
Research and development expenses	(8,266)	22,255
General and administrative expenses	35,855	4,123
	28,232	26,636

32 COMMITMENTS

(a) Capital commitments

The Group made capital expenditure in respect of purchase of game licenses which are in development as at 30 June 2024 and 31 December 2023. The Group has commitments to make the following future instalments under non-cancellable game purchase agreements are as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Game licenses	1,500	—

(b) Operating lease commitments

The Group has non-cancellable operating lease agreements with initial terms of 12 months or less. The portfolio of short-term leases to which the Group was committed as at 30 June 2024 and 31 December 2023 is similar to the portfolio of short-term leases to which the short-term lease expense is disclosed in Note 14.

33 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the six months ended 30 June 2024 and 2023.

33 RELATED PARTY TRANSACTIONS (Continued)

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

Name of related parties	Relationship
Shanghai Bianyue Culture Communication Co., Ltd.	Associate
Shanghai Chatie Network Science and Technology Co., Ltd.	Associate
Shanghai Fantablade Network Science and Technology Co., Ltd.	Associate
Gamecores (Beijing) Culture Communication Co. Ltd.	Associate
Shenzhen Shanshi Interactive Technology Co., Ltd.	Associate
Xiamen So Funny Information Technology Co., Ltd.	Associate
Yimei (Shenzhen) Network Technology Development Co., Ltd.	Associate
Jiexin Holdings Limited	Shareholder
Happy Today Holding Limited	Shareholder

(b) Significant transactions with related parties

(i) Sales of service

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Gamecores (Beijing) Culture Communication Co. Ltd.	49	—
Yimei (Shenzhen) Network Technology Development Co., Ltd.	5	—
	54	—

33 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant transactions with related parties (Continued)

(ii) Purchase of service

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Xiamen So Funny Information Technology Co., Ltd.	110,035	214,224
Shanghai Bianyue Culture Communication Co., Ltd.	4,755	6,792
Shanghai Chatie Network Science and Technology Co., Ltd.	1,435	1,053
Shanghai Fantablade Network Science and Technology Co., Ltd.	864	1,475
Gamecores (Beijing) Culture Communication Co. Ltd.	36	308
Others	660	409
	117,785	224,261

(c) Period end balances with related parties

(i) Prepayments to related parties

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
	ShenZhen Shanshi Interactive Technology Co., Ltd.	1,438

33 RELATED PARTY TRANSACTIONS (Continued)

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

(ii) Other receivables from related parties

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Jiexin Holdings Limited	266	261
Happy Today Holding Limited	9	9
	275	270

(iii) Trade payables to related parties

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Xiamen So Funny Information Technology Co., Ltd.	21,344	12,504
Shanghai Chatie Network Science and Technology Co., Ltd.	5,534	3,432
Shanghai Fantablade Network Science and Technology Co., Ltd.	409	1,265
Others	410	78
	27,697	17,279

Receivables from and payables to related parties are unsecured, interest-free and repayable on demand.

33 RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Wages, salaries and bonuses	4,592	4,136
Post-employment benefits	103	173
Long-term benefits	—	—
Termination benefits	—	—
Share-based compensation expenses	2,993	3,304
	7,688	7,613

34 CONTINGENCIES

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

35 SUBSEQUENT EVENTS

There is no material subsequent event occurred during the period from 30 June 2024 to 30 August 2024, the approval date of these consolidated condensed financial statements by the Board of Directors.

11

DEFINITIONS AND GLOSSARY

DEFINITIONS AND GLOSSARY

Unless the context otherwise requires, the following expressions in this report shall have the following meanings:

“2024 Award(s)”	means an award of restricted share unit(s) granted to a Participant pursuant to the 2024 RSU Scheme. An award may include, if so specified by the Board in its absolute discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the 2024 Award is granted to the date that it vests;
“2024 RSU Scheme”	the restricted share unit scheme adopted by the Company on May 7, 2024;
“Acquisition”	the acquisition of the Target Shares by the Purchaser from the Vendors in accordance with the terms of the Sale and Purchase Agreement;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Audit Committee”	the audit committee of the Company;
“Auditor”	PricewaterhouseCoopers, the independent auditor of the Company;
“Board”	the board of Directors of the Company;
“CG Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules;
“Completion”	completion of the Acquisition;
“Company” or “our Company”	XD Inc. (心动有限公司), an exempted company incorporated in the Cayman Islands with limited liability on January 25, 2019, the shares of which are listed on the Stock Exchange under stock code 02400;
“Consideration Share(s)”	the new Shares to be issued and allotted by the Company at the Issue Price to EDragon and LY Development respectively as part of the consideration to purchase the relevant Target Shares held by EDragon or LY Development;
“Director(s)”	the director(s) of the Company;
“EDragon”	EDragon Technology Limited, a company incorporated with limited liability in the British Virgin Islands;
“Group”, “our Group”, “we” or “us”	the Company, its subsidiaries and its PRC consolidated affiliated entities from time to time;
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

“IFRS”	International Financial Reporting Standards, which include standards and interpretations as issued from time to time by the International Accounting Standards Board;
“Initial Consideration”	the sum of the EDragon Initial Consideration and LY Development Initial Consideration;
“Issue Price”	HK\$14.20 per Consideration Share;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
“LY Development”	LY Development Limited, a company incorporated with limited liability in the British Virgin Islands;
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange;
“MAU(s)”	monthly active user(s), which refers to the number of users who log into a particular game or all of our games, as applicable, in the relevant calendar month for games, and refers to the number of users who access the TapTap mobile app in the relevant calendar month for TapTap, both of which include multiple accounts held by one single user. Average MAUs for a particular period are calculated by dividing the aggregate of the MAUs during that period by the number of months of that period;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules;
“MPU(s)”	monthly paying users, which refers to the number of paying users in the relevant calendar month in our games;
“Participant(s)”	includes the following: <ul style="list-style-type: none">(i) any employee (whether full time or part time and including persons who are granted 2024 Awards under the 2024 RSU Scheme as an inducement to enter into employment contracts with any member of the Group), executives or officers, directors (including executive, non-executive and independent non-executive directors) of any member of the Group; and(ii) any consultant, adviser or agent of any member of the Group on a continuing and recurring basis in its ordinary and usual course of business which, in the sole and absolute opinion of the Board, are in the interests of the long term growth of the Group;
“PRC” or “China”	the People’s Republic of China, which for the purposes of this report, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan, China;
“PRC Consolidated Affiliated Entities”	the entities we control through the contractual arrangements, namely X.D. Network and its respective subsidiaries;
“Purchaser”	XDG Holding Limited, a company incorporated with limited liability in the British Virgin Islands and a direct wholly-owned subsidiary of the Company;

“Reporting Period”	for the six months ended June 30, 2024;
“RMB”	Renminbi, the lawful currency of the PRC;
“RSU(s)”	restricted share unit(s);
“RSU Holding Entity”	Heart Assets Limited, a company incorporated in the British Virgin Islands holding our Shares pursuant to the RSU Scheme on trust or on behalf of the grantees of our Company;
“RSU Scheme”	the restricted share unit Scheme of our Company adopted on June 3, 2019;
“Sale and Purchase Agreement”	the sale and purchase agreement dated April 9, 2024 and entered into among the Company, the Purchaser and the Vendors in relation to the Acquisition;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“SGD”	Singapore dollars, the lawful currency of Singapore;
“Share(s)”	ordinary shares in the share capital of our Company with a par value of US\$0.0001;
“Share Option Plan”	the share option plan considered and approved by the Shareholders at the annual general meeting of the Company on June 25, 2021;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules;
“Target Company”	X.D. Global (HK) Limited, a company incorporated with limited liability in Hong Kong and an indirect subsidiary of the Company held by the Purchaser, EDragon and LY Development as to 65%, 27% and 8% respectively as at May 30, 2024;
“Target Shares”	(i) in respect of EDragon, 2,700 ordinary shares of the Target Company (representing 27% shareholding in the Target Company); and (ii) in respect of LY Development, 800 ordinary shares of the Target Company (representing 8% shareholding in the Target Company), which in aggregate represent 35% shareholding in the Target Company, free from any Encumbrance, to be sold by EDragon and LY Development respectively to the Purchaser pursuant to the Sale and Purchase Agreement;
“USD” or “US\$”	United States dollars, the lawful currency of the United States;
“Vendors”	EDragon and LY Development;
“X.D. Network”	X.D. Network Inc. (心動網絡股份有限公司), a company established in the PRC on July 29, 2011 and our PRC Consolidated Affiliated Entity; and
“%”	per cent.

