

INTERIM REPORT

2023

INTERIM REPORT



GAMERS AT HEART

IGG INC STOCK CODE: 799

Incorporated in the Cayman Islands with limited liability

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zongjian Cai (*Chairman and chief executive officer*)

Mr. Yuan Xu

Mr. Hong Zhang

Ms. Jessie Shen

Mr. Feng Chen

Non-executive Director

Mr. Yuan Chi

Independent Non-executive Directors

Dr. Horn Kee Leong

Ms. Zhao Lu

Mr. Kam Wai Man

(Appointed with effect from the conclusion of the 2023 AGM)

Mr. Dajian Yu

(Resigned with effect from the conclusion of the 2023 AGM)

BOARD COMMITTEES

Audit Committee

Dr. Horn Kee Leong (*Chairman*)

Ms. Zhao Lu

Mr. Kam Wai Man

(Appointed with effect from the conclusion of the 2023 AGM)

Mr. Dajian Yu

(Resigned with effect from the conclusion of the 2023 AGM)

Nomination Committee

Dr. Horn Kee Leong (*Chairman*)

Mr. Zongjian Cai

Ms. Zhao Lu

Mr. Kam Wai Man

(Appointed with effect from the conclusion of the 2023 AGM)

Mr. Dajian Yu

(Resigned with effect from the conclusion of the 2023 AGM)

Remuneration Committee

Ms. Zhao Lu (*Chairman*)

Mr. Zongjian Cai

Mr. Kam Wai Man

(Appointed with effect from the conclusion of the 2023 AGM)

Mr. Dajian Yu

(Resigned with effect from the conclusion of the 2023 AGM)

JOINT COMPANY SECRETARIES

Ms. Jessie Shen

Ms. Yin Ping Yvonne Kwong (*FCG, HKFCG*)

AUTHORISED REPRESENTATIVES

Mr. Zongjian Cai

Ms. Jessie Shen

Ms. Yin Ping Yvonne Kwong

REGISTERED OFFICE

P.O. Box 31119, Grand Pavilion, Hibiscus Way

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KY1-1205 Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

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#18-84 Mapletree Business City

Singapore 117372

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai

Hong Kong

AUDITOR

KPMG

Certified Public Accountants

(Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance)

CORPORATE INFORMATION

LEGAL ADVISER AS TO HONG KONG LAWS

Jingtian & Gongcheng LLP

LEGAL ADVISER AS TO PRC LAWS

Jingtian & Gongcheng

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman, KY1-1100
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

COMPANY WEBSITE

www.igg.com

PRINCIPAL BANKS

Citibank N.A. Singapore Branch
Standard Chartered Bank (Singapore) Limited
The Hongkong and Shanghai Banking Corporation Limited

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations Limited

HIGHLIGHTS

	Six months ended 30 June	
	2023 HK\$' 000 (Unaudited)	2022 HK\$' 000 (Unaudited)
Revenue	2,499,020	2,485,739
Cost of revenue	(693,307)	(787,102)
Other net gains/(losses)	23,326	(88,167)
Selling and distribution expenses	(1,521,188)	(822,038)
Administrative expenses	(158,746)	(197,031)
Research and development expenses	(500,419)	(738,152)
Loss for the period	(359,798)	(171,771)
Including: Net loss for core business ¹	(360,765)	(58,025)
Gain/(loss) on investments ²	967	(113,746)
Loss for the period attributable to equity shareholders of the Company	(359,798)	(171,771)
Adjusted net loss ³	(334,015)	(104,739)

- For the first half of 2023, “Lords Mobile”, IGG's flagship title launched seven years ago, continued to generate stable revenue, contributing over HK\$1.6 billion. Meanwhile, the Group's two blockbuster strategy games, “Doomsday: Last Survivors” and “Viking Rise”, each exceeded HK\$70 million in monthly gross billing. The gross billing of “Doomsday: Last Survivors” has been rising steadily, with monthly gross billing in July reaching a new high of more than HK\$82 million. At the same time, the Group's application and mobile advertisement mediation platform business (the “APP Business”) is experiencing rapid growth, with monthly gross billing surging from over HK\$12 million at the start of the Period to more than HK\$57 million in June, followed by a remarkable jump to HK\$63 million in July. The two new games and the APP Business contributed 35% to the Group's total revenue in the second quarter of 2023. This helped the Group achieve a year-on-year increase in revenue to HK\$2.5 billion in the first half of 2023, and a 19% growth as compared to the second half of 2022. The Group resumed generating profits in June and its monthly gross billing rebounded to HK\$500 million in July. Its game and APP Business are working in tandem to power the company ahead, ushering in a new chapter for IGG.
- Through the persistent optimisation of resources and strategic application of Artificial Intelligence Generated Content (AIGC) technology, the Group has achieved a 30% reduction, year-on-year, in research and development and administrative expenses in the first half of 2023. During the Period, the Group launched marketing campaigns for “Doomsday: Last Survivors” and “Viking Rise”. Despite HK\$360 million in net losses for IGG's core business, the investment in new games was essential for the Group's sustained growth and long-term success, and the Group has reported profit in June 2023. As for investments, the Group has stepped into profitability as part of its investment projects gradually enter the profit-making phase and its impairment losses decreased significantly. As a result, the Group recorded a net loss of HK\$360 million during the Period. Looking ahead, with the growth of the two new games and the APP Business, the Group is confident in its ability to maintain solid financial performance.

¹ Net loss for core business: Net loss excluding gain/(loss) on investments.

² Gain/(loss) on investments including: (1) fair value change and gain/loss on disposal of financial assets at fair value through profit or loss (“FVTPL”), and dividend income; and (2) share of results of associates and joint ventures, impairment loss on interest in associates and joint ventures and net gain/loss on disposal and deemed disposal of associates and joint ventures.

³ Adjusted net loss represents loss for the period attributable to equity shareholders of the Company excluding share-based compensation. It is considered a useful supplement to the consolidated statement of profit or loss indicating the Group's profitability and operational performance for the financial periods presented.

MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL PRESENCE

Established in 2006, IGG is a renowned developer and publisher of mobile games and applications with a strong global presence and an international customer base of over 1.6 billion users with over 38 million MAU⁴. Leveraging its success in client and browser PC online games, the Group changed its strategy to target the mobile games market in 2013. After years of effort, the Group's mobile games are now available in 23 different languages worldwide, and the APP Business has also hit its stride after a decade of perseverance. Embracing our corporate spirit of "Innovators at Work, Gamers at Heart", the Group is dedicated to creating high-quality and enjoyable games and applications that will stand the test of time.

IGG is headquartered in Singapore with local offices in the United States, China, Canada, Japan, South Korea, Thailand, the Philippines, Indonesia, Brazil, Türkiye, Italy and Spain, and users from more than 200 countries and regions worldwide. Over the years, IGG has aggressively pursued a strategy of globalisation in R&D and operations, establishing long-term relationships with over 100 business partners, including global platforms, advertising channels, and vendors such as Apple, Google, and Meta. The Group's international presence and partnerships have enhanced its competitive advantage in the industry.

BUSINESS REVIEW

After investing for years in game development, the Group's two highly rated strategy games, "Doomsday: Last Survivors" and "Viking Rise", each generated monthly gross billing in excess of HK\$70 million in the first half of 2023. "Lords Mobile", IGG's flagship title launched seven years ago, continued to generate stable revenue, contributing over HK\$1.6 billion in the first half of 2023. After a decade of perseverance, the APP Business finally hit its stride this year, with monthly gross billing surging from over HK\$12 million at the beginning of the Period to more than HK\$57 million in June. The combined revenue from the two new games and the APP Business in the second quarter of 2023 accounted for 35% of the Group's total revenue, propelling IGG's revenue to a year-on-year increase and a 19% half-on-half growth, to HK\$2.5 billion. The Group resumed generating profits in June and its monthly gross billing rebounded to HK\$500 million in July. Its game and APP Business are working in tandem to power the company ahead, ushering in a new chapter for IGG. During the Period, revenue from Asia, Europe and North America accounted for 44%, 26% and 25%, respectively, of the Group's total revenue.

Through the persistent optimisation of resources and strategic application of AIGC technology, the Group has achieved a 30% reduction, year-on-year, in research and development and administrative expenses in the first half of 2023. During the Period, the Group launched marketing campaigns for "Doomsday: Last Survivors" and "Viking Rise". Despite HK\$360 million in net losses for IGG's core business, the investment in new games was essential for the Group's sustained growth and long-term success, and the Group has reported profit in June 2023. As for investments, the Group has stepped into profitability as part of its investment projects gradually enter the profit-making phase and its impairment losses decreased significantly. As a result, the Group recorded a net loss of HK\$360 million during the Period.

⁴ The Group's users and MAU include users of mobile games and apps.

MANAGEMENT DISCUSSION AND ANALYSIS

“Lords Mobile”

“Lords Mobile”, released in March 2016, is the Group’s first cross-platform, multi-language, real-time game designed for global gamers. The game has been well-received by gamers since its launch and continues to generate stable revenue of over HK\$1.6 billion for the Group in the first half of 2023. As at 30 June 2023, it has 640 million registered users worldwide and nearly 10 million MAU. IGG will continue to release new game content and diversified promotional initiatives to extend the game’s longevity.

“Doomsday: Last Survivors”

“Doomsday: Last Survivors” was released in August 2021. After more than a year of refinement and optimisation, the game has become a favourite for 22 million gamers with its distinctive post-apocalyptic survival theme, deep integration of “real-time” and “strategy” gameplay, and unique art style. Following a marketing campaign that started in March 2023, the game’s monthly gross billing reached HK\$82 million in July. The Group will soon introduce a new survival competition gameplay in guild battle that will let players experience the fun of real-time team formation and battles between guilds in the game.

“Viking Rise”

“Viking Rise”, released in December 2022, is a real-time war strategy game based on Norse mythology and Viking history. “Viking Rise” demonstrated huge potential during its beta testing. A Viking-themed game that perfectly combines strategy gameplay with intricate community management, “Viking Rise” received global recommendations from Apple and Google on its launch, and quickly rose to the top of the strategy games download charts in over 60 countries and regions worldwide⁵. After a marketing campaign starting mid-April, the gross billing for May exceeded HK\$70 million. “Viking Rise” has released a long-awaited cross-server battle feature, “Kingdom Mayhem”. The game will soon introduce a new innovative cross-server guild war feature, “Battle of the Ruins”, offering players a diverse range of battle experience.

APP Business

The Group has been developing various mobile APPs since 2013. After a decade of perseverance, the APP Business finally hit its stride this year, with monthly gross billing surging from over HK\$12 million at the start of the Period to more than HK\$57 million in June, followed by a remarkable jump to HK\$63 million in July. As at 30 June 2023, it has over 300 million registered users worldwide and nearly 20 million MAU. The Group is committed to ongoing promotion and diversification of its product portfolio, leveraging the synergies of platform-based business model to take the APP Business to the next level.

⁵ Source of ranking data: third-party analytics platform, data.ai.

MANAGEMENT DISCUSSION AND ANALYSIS

Investments

The main objectives of the Group's investments are to strengthen its overall R&D capability and enrich its product portfolio. Through strategic agreements with companies in the games industry, including licensed publishing and outsourced game development, the Group strives to diversify its game portfolio. At the same time, the Group tracks strategic directions in the Internet industry by investing in private equity funds with outstanding performance and portfolios focused on mobile Internet business. During the Period, the Group has stepped into profitability in investments, as part of its investment projects gradually enter the profit-making phase and its impairment losses decreased significantly.

PROSPECTS

The rise of AIGC technology is transforming many industries, including the mobile Internet sector, and is rapidly becoming a dominant trend. IGG took a proactive approach in embracing AIGC technology and fully applied it to both product development and operations. The use of AIGC in language translation, art production, and customer service has significantly improved the efficiency of the Group's product development and operations, resulting in cost savings and increased productivity.

Looking ahead, with the steady growth of the two new games and the APP Business, the Group is confident in its ability to maintain solid financial performance. Embracing the corporate spirit of "Innovators at Work, Gamers at Heart", the Group will continue to strengthen its global R&D and operation capabilities, to relentlessly pursue its strategy of quality, innovation and excellence in creating innovative yet timeless games.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue for the Period was HK\$2,499 million, representing an increase of 1% as compared to the revenue of HK\$2,486 million for the corresponding period of last year, and an increase of 19% as compared to the revenue of HK\$2,105 million for the second half of 2022. The two new games, namely "Doomsday: Last Survivors" and "Viking Rise," along with the APP Business, have become new drivers of the Group's growth, working in tandem to drive the rise of revenue during the Period.

The following table sets forth a breakdown of the Group's revenue for the Period and the corresponding period in 2022, respectively:

	Six months ended 30 June			
	2023		2022	
	HK\$' 000	%	HK\$' 000	%
Games:				
"Lords Mobile"	1,657,471	66.3	2,008,898	80.8
"Doomsday: Last Survivors"	249,850	10.0	4,051	0.2
"Viking Rise"	122,880	4.9	–	–
Other games	279,733	11.2	425,580	17.1
APP Business	189,086	7.6	47,210	1.9
Total	2,499,020	100.0	2,485,739	100.0

Cost of revenue

The Group's cost of revenue for the Period was HK\$693 million, representing a decrease of 12% as compared to HK\$787 million for the corresponding period in 2022, primarily due to the decrease in channel costs.

Gross profit and gross profit margin

The Group's gross profit for the Period was HK\$1,806 million, representing an increase of 6% as compared to HK\$1,699 million for the corresponding period in 2022, primarily due to the revenue increase driven by new games and the APP Business.

The Group's gross profit margin for the Period was 72%, representing an increase of 4% as compared to 68% for the corresponding period in 2022. The increase in gross profit margin was primarily due to the increase in proportion of revenue contributed by the APP Business, and the reduction in the channel costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Other net gains/(losses)

The Group's other net gains for the Period was HK\$23 million, primarily derived from interest income and gains from disposal of investee companies and funds. As for the corresponding period in 2022, the Group recorded other net losses of HK\$88 million, mainly attributed to impairment losses of investments. More details on other net gains/(losses) are set out in note 4 to the unaudited interim financial report, and details on the Group's investments are set out below in the "Investments" section.

Selling and distribution expenses

The Group's selling and distribution expenses for the Period was HK\$1,521 million, representing an increase of 85% as compared to HK\$822 million for the corresponding period in 2022. During the Period, the Group launched marketing campaigns for its two new games, as the investment for new games was essential for the Group's sustained growth and long-term success.

Administrative expenses

The Group's administrative expenses for the Period was HK\$159 million, representing a decrease of 19% as compared to HK\$197 million for the corresponding period in 2022. Administrative expenses-to-revenue ratio for the Period was 6%, decreased by 2% as compared to 8% for the corresponding period in 2022. The decrease in administrative expenses during the Period was due to the Group's continuous optimisation of resources and strict cost control.

Research and development expenses

The Group's research and development expenses for the Period was HK\$500 million, representing a significant decrease of 32% as compared to HK\$738 million for the corresponding period in 2022. Research and development expenses-to-revenue ratio for the Period was 20%, sharply declined by 10% as compared to 30% for the corresponding period in 2022. The Group continued to optimise and integrate its teams, and strictly controlled R&D expenses, resulting in a significant decrease in R&D expenses during the Period.

Share of results of associates and joint ventures

The Group's share of results of associates and joint ventures for the Period was a net gain of HK\$7 million, and for the corresponding period in 2022 was a net loss of HK\$8 million. Since certain investee companies have generated profits during the Period, the Group recorded a net gain of share of results of associates and joint ventures. More details on share of results of associates and joint ventures are set out in note 11 to the unaudited interim financial report.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expenses

The Group's income tax expenses for the Period was HK\$13 million, representing a decrease of 7% as compared to HK\$14 million for the corresponding period in 2022. The Group recorded a loss for the Period, and the income tax expenses primarily came from some subsidiaries which recorded profit, as well as withholding tax from overseas income during the Period.

Capital expenditures

During the Period, the Group's capital expenditures were mainly related to construction of self-use office building in Fuzhou, China, renovation of offices in various regions, purchases of servers and computers, and purchases of software. Capital expenditures for the Period and the corresponding period in 2022 are set forth below:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Acquisition of property, plant and equipment:		
Office premises and renovations ¹	56,402	41,353
Servers and computers	2,930	6,921
Purchase of intangible assets:		
Software	897	2,353

1. It was mainly related to the payment for the Period for construction of self-use office building in Fuzhou. On 18 January 2022, Fuzhou Tianping, an indirect wholly-owned subsidiary of the Company, entered into a letter of award with the First Company of China Eighth Engineering Division Ltd.* (中建八局第一建设有限公司) (the "Contractor"), pursuant to which Fuzhou Tianping has awarded a construction contract to the Contractor with an aggregate construction area of approximately 49,200 square meters at a contract sum of RMB422 million (equivalent to approximately HK\$515 million, at the exchange rate on the signing date) in respect of the construction of office building(s) on the Land located in Jin'an District, Fuzhou, the PRC. As at the date of this report, the construction work is at the main structure construction stage and is expected to be completed in July 2024. Please refer to the announcement of the Company dated 18 January 2022 for further details. Except for the aforesaid construction of self-use office building, there was no property held by the Group for development, sale or investment for which the percentage ratios (as defined under rule 14.04(9) of the Listing Rules) exceed 5% during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, capital resources and gearing ratio

As at 30 June 2023, the Group had net current assets of HK\$839 million (31 December 2022: HK\$1,147 million), and the gearing ratio of the Group, calculated as total liabilities divided by total assets, was 34.6% (31 December 2022: 25.4%).

As at 30 June 2023, the Group had cash and cash equivalents of HK\$1,481 million (31 December 2022: HK\$1,582 million).

Except for lease liabilities as set out in note 18 to the unaudited interim financial report, the Group did not have any bank borrowings or other financing facilities as at 30 June 2023 and 31 December 2022.

Operating activities

Net cash outflow used in operating activities was HK\$44 million for the Period, while the net cash outflow was HK\$140 million for the corresponding period in 2022. The net cash outflow used in operating activities for the Period was primarily due to the increase in advertisement expenses for marketing campaign of new games.

Investing activities

Net cash outflow used in investing activities was HK\$13 million for the Period, primarily due to the payment of construction costs of HK\$47.9 million for a self-use office building in Fuzhou, China. Meanwhile, there was a cash inflow of HK\$42.4 million generated from disposal of investments. Net cash outflow used in investing activities was HK\$92 million for the corresponding period in 2022, primarily due to the payment for the construction of self-use office building on the Land in Fuzhou, China, as well as the equity investment in the mobile internet and gaming related companies and funds.

Financing activities

Net cash outflow used in financing activities was HK\$39 million for the Period, while the net cash outflow was HK\$27 million for the corresponding period in 2022. The net cash outflow used in financing activities was primarily attributable to capital and interest elements of lease rentals paid for right-of-use assets.

Foreign currency risk

The Group's transactions during the Period were mostly denominated in USD and SGD. The Group's management team closely monitors foreign exchange exposure to ensure that appropriate measures are implemented in a timely and effective manner. Historically, the Group has not incurred any significant foreign currency exchange loss in its operation.

MANAGEMENT DISCUSSION AND ANALYSIS

Legal compliance

As the Group is continuously expanding its businesses worldwide, it is required to comply with the new applicable laws and regulations in different jurisdictions that are specifically relevant to the Group's business, such as laws relating to data protection, internet information security, intellectual property and gaming industry.

Protecting users' personal data is the top priority of operations, and the Group is fully aware that any misuse, loss or leakage of users' data could have a negative impact on affected users and the Group's reputation and may even lead to potential legal action against the Group. The Group is committed to safeguarding the security of users' personal data. In this regard, the update of privacy policy and the treatment and control measures of users' personal data form part of this commitment. When collecting and processing such data, the Group explains the purpose of the acquired data and obtains the consent of users. Users also have the right to request modify or delete their personal data. In addition, information security keeps the personal data anonymous to the maximum extent possible through effective management systems, also, employing internal processing mechanisms of data management, separation of access and restrictions on access, to ensure the highest level of protection of personal data.

Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

Share repurchase

The Group made no share repurchases during the Period (for the six months ended 30 June 2022: nil).

Human resources

As at 30 June 2023, the Group had 2,165 employees (30 June 2022: 2,763), and the Group's total staff-related costs amounted to HK\$541 million for the Period (for the six months ended 30 June 2022: HK\$714 million).

The Group's emolument comprises by basic salary, bonus and share-based compensation, and these are reviewed by the remuneration committee periodically. The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, having regarded the Group's operating results, individual performance, comparable market statistics and the Company's share price. Details of the share-based schemes are set out in the section headed "Other Information" of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Investments

As at 30 June 2023, the Group's carrying amount of investments was HK\$606 million (as at 31 December 2022: HK\$655 million), including interests in associates and joint ventures and FVTPL. Details of the investments of the Group are set out in notes 11 and 12 to the unaudited interim financial report.

Details of gain/(loss) on investments of the Period and the corresponding period in 2022 are set forth below:

	Six months ended 30 June	
	2023	2022
	HK\$' 000	HK\$' 000
Fair value change and gain on disposal of FVTPL and dividend income		
– Griffin Gaming Partners, L.P.	4,968	5,867
– MFund, L.P.	(16,563)	2,913
– Other funds and equity investments	9,901	1,290
Impairment loss on interests in associates and joint ventures	(3,859)	(115,522)
Share of results of associates and joint ventures	6,520	(8,294)
	<hr/>	<hr/>
Total	967	(113,746)

MANAGEMENT DISCUSSION AND ANALYSIS

Private equity funds

As at 30 June 2023, the Group held private equity funds at fair value through profit or loss amounting to approximately HK\$306 million, mainly including MFund, L.P. and Griffin Gaming Partners, L.P., which are set forth below:

Name of investee Company	Percentage of interests held by the Group	Investments	Investments	Fair value	Fair value	Unrealised	Dividend
		cost as at 31 December 2022 HK\$' 000	cost as at 30 June 2023 HK\$' 000	as at 31 December 2022 HK\$' 000	as at 30 June 2023 HK\$' 000	gain/(loss) on change in fair value for the Period HK\$' 000	Realised gain for the Period HK\$' 000
MFund, L.P. ("MFund")	4.37%	23,286	23,286	118,659	102,724	(16,563)	–
Griffin Gaming Partners, L.P. ("Griffin")	5.44%	89,532	89,532	114,205	119,768	4,968	–

Note: During the Period, the unrealised exchange gain of the above investments was approximately HK\$1.2 million.

The Group first entered into a limited partnership agreement with MFund, an Independent Third Party private equity fund, in 2014. The Group, as a limited partner, undertook to subscribe for the share of assets in MFund at a sum of US\$3.0 million (equivalent to HK\$23.29 million), accounting for approximately 4.37% interests. MFund has a diversified investment portfolio, including equity investments in mobile internet industry, which is in alignment with the Group's strategic investment objectives. The investment cost and fair value of the Group's interests in MFund comprised approximately 0.65% and 2.88% of the total assets of the Group as at 30 June 2023, respectively.

The Group first entered into a limited partnership agreement with an Independent Third Party to subscribe for the relevant share of interest of Griffin in 2019. Griffin mainly focuses on the investment in gaming related companies worldwide, and its investment portfolio is in line with the Group's strategic investment objective. Subsequently in 2020, the Group entered into a subscription increase letter, pursuant to which the Group's total commitment in Griffin was US\$12.0 million (equivalent to approximately HK\$93.3 million) for an aggregate of approximately 5.44% interests in it. As at 30 June 2023, the Group has contributed US\$11.52 million (equivalent to approximately HK\$89.53 million) to Griffin. The investment cost and fair value of the Group's interests in Griffin comprised approximately 2.51% and 3.36% of the total assets of the Group as at 30 June 2023, respectively.

Save as disclosed above, there were no other material investments held by the Group as at 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Material acquisitions and disposals of subsidiaries and associates and joint ventures

During the Period, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures (for the six months ended 30 June 2022: nil) or future plans for material investments or capital assets as at the date of this report. More details on associates and joint ventures are set out in note 11 to the unaudited interim financial report.

Capital commitment

	At 30 June 2023 HK\$' 000	At 31 December 2022 HK\$' 000
Construction of self-use office building ¹	245,847	373,017
Acquisition of self-use office premises	–	13,521
Renovations and design	–	12,102
Investment contracts	<u>3,762</u>	<u>3,742</u>
Total	<u>249,609</u>	<u>402,382</u>

1. Commitment of the construction contract between Fuzhou Tianping and the Contractor for the construction of self-use office building on the Land located in Jin'an District, Fuzhou, the PRC. Please refer to the section headed "Capital expenditures" above in this report and the announcement of the Company dated 18 January 2022 for further details.

As at 30 June 2023, the Group had a capital commitment of HK\$250 million, which was mainly related to a balance due regarding the construction of self-use office building on the Land by Fuzhou Tianping, and the contract payments of investments in the mobile internet and gaming related companies and funds (31 December 2022: HK\$402 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge on assets

On 6 April 2022, Fuzhou Tianping provided a letter of guarantee (the “Letter of Guarantee”) issued by China Merchants Bank Co., Ltd. Fuzhou Branch (“CMB”) in favour of the Contractor, namely The First Company of China Eighth Engineering Division Ltd.* (中建八局第一建设有限公司), for a maximum amount of RMB27 million (equivalent to approximately HK\$34 million, at the exchange rate on the signing date) to secure Fuzhou Tianping’s performance of payment obligations under the construction contract entered into between Fuzhou Tianping and the Contractor in relation to the construction works contemplated under the letter of award entered between the parties on 18 January 2022. Fuzhou Tianping shall deposit such amount equivalent to the maximum guarantee amount under the Letter of Guarantee in cash into the designated bank account opened with CMB pursuant to the terms and conditions of the guarantee cooperation agreement dated 6 April 2022 entered into between Fuzhou Tianping and CMB. The said guarantee shall lapse on 13 February 2024 or upon the full payment of the maximum amount under the Letter of Guarantee to the Contractor pursuant to the terms therein, whichever is earlier. For further details of the transaction, please refer to the announcement of the Company dated 6 April 2022.

Save as disclosed above, no asset of the Group was pledged as a security for bank borrowing or any other financing activities as at 30 June 2023 (31 December 2022: nil).

Contingent liabilities

The Group had no significant contingent liabilities as at 30 June 2023 (31 December 2022: nil).

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organisation which is open and accountable to its Shareholders. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, while focusing on areas such as internal control and risk management, as well as fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company.

The Company believes that effective corporate governance is essential to create more value for the Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimise return for the Shareholders.

The Company is committed to maintaining high standards of corporate governance in the best interests of Shareholders. During the Period, except for the deviation from code provision C.2.1 of the Corporate Governance Code, the Company has complied with the code provisions of the Corporate Governance Code.

Under code provision C.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. Mr. Zongjian Cai is the chairman and chief executive officer of the Group. He has extensive experience in online game industry and is responsible for the overall corporate strategic planning and business development of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual can provide strong leadership to the Group and ensures efficient execution of corporate plans and objectives. In addition, the balance of power and authorities is ensured by the composition of the Board, which comprises experienced and high caliber individuals. The Board currently comprises five executive Directors, one non-executive Director and three independent non-executive Directors, who would be able to offer advice from different perspectives. All major decisions are made by the Board members in consultation with the management team of the Company. Based on the above, the Board considers that the current arrangement has appropriate checks and balance of power in place to safeguard the interest of the Group and the Shareholders as a whole.

MODEL CODE

During the Period, the Company has also adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code regarding directors' securities transactions during the Period.

CORPORATE GOVERNANCE

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the Company's last published annual report are set out below:

Dr. Horn Kee Leong resigned as an independent non-executive director from ESR-LOGOS Funds Management (S) Limited (formerly known as ESR Funds Management (S) Limited) with effect from 15 May 2023.

Save as disclosed above, there were no other changes in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REVIEW OF INTERIM FINANCIAL STATEMENTS

Disclosure of financial information in this report complies with Appendix 16 to the Listing Rules. The audit committee of the Company has held meetings to discuss the internal controls and financial reporting matters of the Company, including the review of the unaudited interim results and the unaudited interim financial report for the Period.

The external auditor, KPMG has reviewed the interim financial report for the Period in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

OTHER INFORMATION

DISCLOSURE OF INTEREST AS PER REGISTERS KEPT PURSUANT TO THE SFO

(a) Directors' and chief executives' interests and short positions in Shares, underlying shares and debentures

As at 30 June 2023, the interests and short positions of the Directors and chief executives of the Company in Shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Listing Rules were as follows:

Long positions in shares of the Company and the associated corporation

Interests in	Name	Capacity/Nature of interest	Number of Shares/ underlying shares held	Approximate percentage of shareholding
1. The Company	Mr. Zongjian Cai (Notes 1, 2)	Beneficial owner, interest in a controlled corporation, spouse interest, interests held jointly with another person	295,559,643	24.67%
	Mr. Yuan Xu (Notes 1, 2)	Beneficial owner, interests held jointly with another person	295,559,643	24.67%
	Mr. Hong Zhang (Notes 1, 2)	Beneficial owner, interests held jointly with another person	295,559,643	24.67%
	Ms. Jessie Shen (Note 3)	Beneficial owner	7,673,955	0.64%
	Mr. Feng Chen (Note 4)	Beneficial owner	15,750,248	1.31%
	Mr. Yuan Chi (Note 5)	Beneficial owner, interest in a controlled corporation	154,002,000	12.85%
	Dr. Horn Kee Leong (Note 6)	Beneficial owner	132,000	0.01%
	Ms. Zhao Lu (Note 7)	Beneficial owner	249,000	0.02%
	Mr. Dajian Yu (Resigned with effect from the conclusion of the 2023 AGM) (Note 8)	Beneficial owner	810,188	0.07%
2. Associated corporation: UGen World Inc.	Mr. Yuan Xu (Note 9)	Beneficial owner	384,978	4.67%
	Mr. Hong Zhang (Note 10)	Beneficial owner	230,986	2.80%

OTHER INFORMATION

Notes:

- (1) Pursuant to an acting in concert agreement dated 16 September 2013, as amended by an amendment dated 18 October 2016, Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Kai Chen (spouse of Mr. Zongjian Cai) and Mr. Zhixiang Chen agreed that they would act in concert with each other with respect to material matters relating to the Company's operation. Each of Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Kai Chen and Mr. Zhixiang Chen is therefore deemed to be interested in the Shares held by one another under the SFO.
- (2) Mr. Zongjian Cai was the beneficial owner of 746,000 Shares. Mr. Zongjian Cai was also interested in all the issued share capital of Duke Online and he is the sole director of Duke Online. Therefore, he was deemed to be interested in 193,752,027 Shares held by Duke Online under the SFO. Mr. Zongjian Cai was deemed to be interested in all Shares held by Ms. Kai Chen under the SFO. On 21 May 2021, 38,444,306 Performance-based Awarded Shares were awarded to Mr. Zongjian Cai under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. On 27 April 2022 and 27 April 2023, 7,688,862 and 7,688,861 Performance-based Awarded Shares have lapsed, respectively, due to the failure in satisfying all the vesting conditions. Upon the full vest of such Performance-based Awarded Shares, Mr. Zongjian Cai will be beneficially interested in 23,066,583 Shares.

Mr. Yuan Xu was the beneficial owner of 23,073,917 Shares. On 23 March 2015, he was also granted 613,000 share options under the Share Option Scheme. On 21 May 2021, 7,163,535 Performance-based Awarded Shares were awarded to Mr. Yuan Xu under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. On 27 April 2022 and 27 April 2023, each of 1,432,707 Performance-based Awarded Shares have lapsed, respectively, due to the failure in satisfying all the vesting conditions. Upon the full exercise and vest of such share options and Performance-based Awarded Shares, Mr. Yuan Xu will be beneficially interested in 4,911,121 Shares.

Mr. Hong Zhang was the beneficial owner of 11,659,835 Shares. On 23 March 2015, Mr. Hong Zhang was also granted 605,000 share options under the Share Option Scheme. On 21 May 2021, 6,447,181 Performance-based Awarded Shares were awarded to Mr. Hong Zhang under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. On 27 April 2022 and 27 April 2023, 1,289,437 and 1,289,436 Performance-based Awarded Shares have lapsed, respectively, due to the failure in satisfying all the vesting conditions. Upon the full exercise and vest of such share options and Performance-based Awarded Shares, Mr. Hong Zhang will be beneficially interested in 4,473,308 Shares.

Ms. Kai Chen was the beneficial owner of 17,862,402 Shares. On 19 August 2021, 28,900 awarded shares were granted to Ms. Kai Chen under the Share Award Scheme, among which 14,450 awarded shares have been vested. Upon the full vest of such awarded shares, Ms. Kai Chen will be beneficially interested in 14,450 Shares. She was also deemed to be interested in all Shares held by Mr. Zongjian Cai under the SFO.

Mr. Zhixiang Chen was the beneficial owner of 16,000,000 Shares.

- (3) Ms. Jessie Shen was the beneficial owner of 4,014,000 Shares. On 21 November 2014 and 23 March 2015, 367,000 share options and 141,000 share options were granted to Ms. Jessie Shen under the Share Option Scheme, respectively. On 21 May 2021, 5,253,259 Performance-based Awarded Shares were awarded to Ms. Jessie Shen under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. On 27 April 2022 and 27 April 2023, each of 1,050,652 Performance-based Awarded Shares have lapsed, respectively, due to the failure in satisfying all the vesting conditions. Upon the full exercise and vest of such share options and Performance-based Awarded Shares, Ms. Jessie Shen will be beneficially interested in 3,659,955 Shares.

OTHER INFORMATION

- (4) Mr. Feng Chen was the beneficial owner of 13,731,000 Shares. On 23 March 2015, 300,000 share options were granted to Mr. Feng Chen under the Share Option Scheme. On 21 May 2021, 2,865,414 Performance-based Awarded Shares were awarded to Mr. Feng Chen under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. On 27 April 2022 and 27 April 2023, each of 573,083 Performance-based Awarded Shares have lapsed, respectively, due to the failure in satisfying all the vesting conditions. Upon the full exercise and vest of such share options and Performance-based Awarded Shares, Mr. Feng Chen will be beneficially interested in 2,019,248 Shares.
- (5) Mr. Yuan Chi was the beneficial owner of 568,000 Shares. Mr. Yuan Chi was also interested in all the issued share capital of Edmond Online and he is one of the directors of Edmond Online. Therefore, he was deemed to be interested in 153,434,000 Shares held by Edmond Online under the SFO.
- (6) Dr. Horn Kee Leong was the beneficial owner of 132,000 Shares.
- (7) Ms. Zhao Lu was the beneficial owner of 99,000 Shares. On 23 March 2015, Ms. Zhao Lu was granted 250,000 share options under the Share Option Scheme, among which 100,000 share options have been exercised. Upon the full exercise of such share options, Ms. Zhao Lu will be beneficially interested in 150,000 Shares.
- (8) Mr. Dajian Yu was the beneficial owner of 660,188 Shares. On 23 March 2015, Mr. Dajian Yu was granted 250,000 share options under the Share Option Scheme, among which 100,000 share options have been exercised. Upon the full exercise of such share options, Mr. Dajian Yu will be beneficially interested in 150,000 Shares.
- (9) Mr. Yuan Xu will be the beneficial owner of 384,978 most senior class of shares of UGen World Inc. upon full conversion of the relevant share subscription warrants pursuant to the terms thereof and is the holder of US\$100,000 convertible promissory note of UGen World Inc. which can be converted into such number of the most senior class or series of equity securities of UGen World Inc. or such class or series of equity securities of UGen World Inc. existing immediately prior to such conversion as elected by him in his sole discretion pursuant to the terms of the relevant convertible promissory note.
- (10) Mr. Hong Zhang will be the beneficial owner of 230,986 most senior class of shares of UGen World Inc. upon full conversion of the relevant share subscription warrants pursuant to the terms thereof and is the holder of US\$60,000 convertible promissory note of UGen World Inc. which can be converted into such number of the most senior class or series of equity securities of UGen World Inc. or such class or series of equity securities of UGen World Inc. existing immediately prior to such conversion as elected by him in his sole discretion pursuant to the terms of the relevant convertible promissory note.

Save as disclosed above, as at 30 June 2023, none of the Directors and chief executive of the Company was, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to Listing Rules.

OTHER INFORMATION

(b) Substantial shareholders' and other persons' interests and short positions in Shares and underlying shares

So far as were known to the Directors or chief executives of the Company, as at 30 June 2023, the following persons had interests and/or short positions of 5% or more of the Shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares/underlying shares held	Approximate percentage of shareholding
Duke Online (Notes 1, 2)	Beneficial owner, interests held jointly with another person	295,559,643	24.67%
Mr. Zongjian Cai (Notes 1, 2)	Beneficial owner, interest in a controlled corporation, spouse interest, interests held jointly with another person	295,559,643	24.67%
Mr. Yuan Xu (Notes 1, 2)	Beneficial owner, interests held jointly with another person	295,559,643	24.67%
Mr. Hong Zhang (Notes 1, 2)	Beneficial owner, interests held jointly with another person	295,559,643	24.67%
Ms. Kai Chen (Notes 1, 2)	Beneficial owner, spouse interest, interests held jointly with another person	295,559,643	24.67%
Mr. Zhixiang Chen (Notes 1, 2)	Beneficial owner, interests held jointly with another person	295,559,643	24.67%
Edmond Online (Note 3)	Beneficial owner	153,434,000	12.81%
Mr. Yuan Chi (Note 3)	Beneficial owner, interest in a controlled corporation	154,002,000	12.85%

Notes:

- (1) Pursuant to an acting in concert agreement dated 16 September 2013, as amended by an amendment dated 18 October 2016, Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Kai Chen (spouse of Mr. Zongjian Cai) and Mr. Zhixiang Chen agreed that they would act in concert with each other with respect to material matters relating to the Company's operation. Each of Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Kai Chen and Mr. Zhixiang Chen is therefore deemed to be interested in the Shares held by one another under the SFO.

OTHER INFORMATION

- (2) Mr. Zongjian Cai was the beneficial owner of 746,000 Shares. Mr. Zongjian Cai was also interested in all the issued share capital of Duke Online and he is the sole director of Duke Online. Therefore, he was deemed to be interested in 193,752,027 Shares held by Duke Online under the SFO. Mr. Zongjian Cai was deemed to be interested in all Shares held by Ms. Kai Chen under the SFO. On 21 May 2021, 38,444,306 Performance-based Awarded Shares were awarded to Mr. Zongjian Cai under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. On 27 April 2022 and 27 April 2023, 7,688,862 and 7,688,861 Performance-based Awarded Shares have lapsed, respectively, due to the failure in satisfying all the vesting conditions. Upon the full vest of such Performance-based Awarded Shares, Mr. Zongjian Cai will be beneficially interested in 23,066,583 Shares.

Mr. Yuan Xu was the beneficial owner of 23,073,917 Shares. On 23 March 2015, he was also granted 613,000 share options under the Share Option Scheme. On 21 May 2021, 7,163,535 Performance-based Awarded Shares were awarded to Mr. Yuan Xu under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. On 27 April 2022 and 27 April 2023, each of 1,432,707 Performance-based Awarded Shares have lapsed, respectively, due to the failure in satisfying all the vesting conditions. Upon the full exercise and vest of such share options and Performance-based Awarded Shares, Mr. Yuan Xu will be beneficially interested in 4,911,121 Shares.

Mr. Hong Zhang was the beneficial owner of 11,659,835 Shares. On 23 March 2015, Mr. Hong Zhang was also granted 605,000 share options under the Share Option Scheme. On 21 May 2021, 6,447,181 Performance-based Awarded Shares were awarded to Mr. Hong Zhang under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. On 27 April 2022 and 27 April 2023, 1,289,437 and 1,289,436 Performance-based Awarded Shares have lapsed, respectively, due to the failure in satisfying all the vesting conditions. Upon the full exercise and vest of such share options and Performance-based Awarded Shares, Mr. Hong Zhang will be beneficially interested in 4,473,308 Shares.

Ms. Kai Chen was the beneficial owner of 17,862,402 Shares. On 19 August 2021, 28,900 awarded shares were granted to Ms. Kai Chen under the Share Award Scheme, among which 14,450 awarded shares have been vested. Upon the full vest of such awarded shares, Ms. Kai Chen will be beneficially interested in 14,450 Shares. She was also deemed to be interested in all Shares held by Mr. Zongjian Cai under the SFO.

Mr. Zhixiang Chen was the beneficial owner of 16,000,000 Shares.

- (3) Mr. Yuan Chi was the beneficial owner of 568,000 Shares. Mr. Yuan Chi was also interested in all the issued share capital of Edmond Online and he is one of the directors of Edmond Online. Therefore, he was deemed to be interested in 153,434,000 Shares held by Edmond Online under the SFO.

Save as disclosed above, as at 30 June 2023, the Directors are not aware of any other persons, other than the Directors and chief executives of the Company, whose interests are set out in the section headed "Directors' and chief executives' interests and short positions in Shares, underlying shares and debentures" above in this report, had interests or short positions in the Shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

OTHER INFORMATION

PRE-IPO SHARE OPTION SCHEME (EXPIRED ON 29 OCTOBER 2022 AND NO OUTSTANDING SHARE OPTIONS AS AT 30 JUNE 2023)

The Pre-IPO Share Option Scheme was adopted by the Company on 12 November 2008 and amended on 16 September 2013 by written resolutions of all the Shareholders. The purpose of the Pre-IPO Share Option Scheme is to offer selected persons an opportunity to acquire a proprietary interest in the success of the Company, or to increase such interest, by purchasing Shares. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Scheme will not involve the grant of options by the Company to subscribe for Shares once the Company has become a listed issuer. The Company should not and did not grant any share options under the Pre-IPO Share Option Scheme after the Listing. The Pre-IPO Share Option Scheme shall be valid and effective for a period of 10 years from the later date on which (i) the Board adopted the Pre-IPO Share Option Scheme, or (ii) the Board approved the most recent increase in the number of Shares reserved under the Pre-IPO Share Option Scheme which was also approved by the Shareholders. As the most recent increase in the number of Shares reserved under the Pre-IPO Share Option Scheme was approved by the Board on 30 October 2012, the Pre-IPO Share Option Scheme has expired on 29 October 2022.

OTHER INFORMATION

Below table sets forth the exercise price of the share options granted on respective dates:

Date of grant	Exercise price
20 January 2007, 1 July 2007	US\$0.004026
1 July 2008	US\$0.008052
5 December 2008, 19 March 2009	US\$0.03775
1 August 2009, 1 November 2009	US\$0.05
18 April 2011, 21 April 2011, 25 April 2011, 3 May 2011, 16 May 2011, 13 June 2011	US\$0.0525
2 July 2011, 14 August 2011, 15 January 2012, 21 May 2012, 31 March 2013	US\$0.0865

Particulars and movements of share options under the Pre-IPO Share Option Scheme during the Period by category of grantees were as follows:

Category of grantees	Date of grant	Exercise price per Share	Number of Pre-IPO share options				Outstanding as at 30 June 2023
			Outstanding as at 31 December 2022	Exercised during the Period ^(Note)	Lapsed/ forfeited during the Period	Cancelled during the Period	
Employees (Total no.: 10)	31 March 2013	US\$0.0865	512,000	512,000	-	-	-

Note: The weighted average closing price of the Shares immediately before the dates on which the share options under the Pre-IPO Share Options Scheme were exercised was HK\$2.77 (for the year ended 31 December 2022: HK\$4.22).

As at 30 June 2023, all outstanding share options granted under the Pre-IPO Share Option Scheme had been exercised, and hence there were no more outstanding share options granted under the Pre-IPO Share Option Scheme. Save as disclosed above, no other share options under the Pre-IPO Share Option Scheme have been exercised, lapsed or cancelled during the Period.

OTHER INFORMATION

SHARE OPTION SCHEME (TERMINATED ON 29 JUNE 2023)

The Company has adopted the Share Option Scheme on 16 September 2013 for the purpose of giving the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Eligible persons shall be (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (b) a director or proposed director (including a non-executive director and/or an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; (g) an associate of any of the persons referred to in paragraphs (a) to (c) above; and (h) who, in the sole opinion of the Board, will contribute to or have contributed to the Group.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, i.e., 130,973,709 Shares. No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheets on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the offer date.

OTHER INFORMATION

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date (i.e. 18 October 2013) and will expire on 17 October 2023 (or such earlier date as resolved by shareholders in general meeting), after which no further options will be granted or offered. In view of the amendments to the Listing Rules, the Share Option Scheme has been terminated with effect from 29 June 2023 (the "Termination Date") by way of an ordinary resolution of the 2023 AGM. For further details, please refer to the announcement and circular of the Company dated 28 March 2023 and 28 April 2023, respectively. Since the Termination Date, no further options has been granted under the Share Option Scheme, and there were 4,635,000 outstanding share options granted but not yet exercised under the Share Option Scheme as at the Termination Date. As at the date of this report, the total number of shares which may be issued upon exercise of all outstanding share options granted but not yet exercised under the Share Option Scheme was 4,635,000, representing approximately 0.39% of the issued Shares as at the date of this report.

Pursuant to Rule 17.07 of the Listing Rules, particulars and movements of share options under the Share Option Scheme during the Period by category of grantees were as follows:

Category of grantees	Date of grant	Exercise price per Share	Outstanding as at 31 December 2022	Number of share options				Outstanding as at 30 June 2023
				Granted during the Period	Exercised during the Period ^(Note)	Lapsed/forfeited during the Period	Cancelled during the Period	
Directors								
Mr. Yuan Xu	23 March 2015	HK\$3.90	613,000	-	-	-	-	613,000
Mr. Hong Zhang	23 March 2015	HK\$3.90	605,000	-	-	-	-	605,000
Ms. Jessie Shen	21 November 2014	HK\$3.51	367,000	-	-	-	-	367,000
	23 March 2015	HK\$3.90	141,000	-	-	-	-	141,000
Mr. Feng Chen	23 March 2015	HK\$3.90	300,000	-	-	-	-	300,000
Ms. Zhao Lu	23 March 2015	HK\$3.90	150,000	-	-	-	-	150,000
Mr. Dajian Yu	23 March 2015	HK\$3.90	150,000	-	-	-	-	150,000
(Resigned with effect from the conclusion of the 2023 AGM)								
Director's associate								
Ms. Meijia Chen	23 March 2015	HK\$3.90	553,000	-	-	-	-	553,000
(cousin of Mr. Yuan Xu)								
Employees (Total no.: 15)								
	11 August 2014	HK\$5.47	100,000	-	-	100,000	-	-
	21 November 2014	HK\$3.51	75,000	-	-	-	-	75,000
	23 March 2015	HK\$3.90	999,000	-	-	-	-	999,000
	19 August 2019	HK\$5.75	370,000	-	-	-	-	370,000
	6 May 2020	HK\$4.91	342,000	-	30,000	-	-	312,000
Total			4,765,000	-	30,000	100,000	-	4,635,000

Note: The weighted average closing price of the Shares immediately before the dates on which the share options under the Share Option Scheme were exercised during the six months ended 30 June 2023 was HK\$6.42 (there were no share options under the Share Option Scheme exercised during the year ended 31 December 2022).

OTHER INFORMATION

11 August 2014

Share options granted on 11 August 2014 were vested in eligible grantees from 11 August 2015 to 11 August 2018. During the vesting period, 25% of the total number of share options granted were vested on each anniversary date of grant. The grantees can exercise the share options commencing from the relevant vesting dates and ending 10 years after the date of grant.

21 November 2014

Share options granted on 21 November 2014 were vested in eligible grantees from 21 November 2015 to 21 November 2018. During the vesting period, 25% of the total number of share options granted were vested on each anniversary date of grant. The grantees can exercise the share options commencing from the relevant vesting dates and ending 10 years after the date of grant.

23 March 2015

Share options granted on 23 March 2015 can be exercised from a period commencing from the relevant vesting dates and ending 10 years after the date of grant.

Certain number of share options were granted to certain non-executive Directors and all independent non-executive Directors, of which one-third of the total number of share options were vested on each of the date of the annual general meeting in 2016, 2017 and 2018.

The remaining share options were vested in the other eligible grantees from 23 March 2016 to 23 March 2019, of which 25% of the total number of the share options granted were vested on each anniversary date of grant.

19 August 2019

Share options granted on 19 August 2019 are vested in eligible grantees from 19 August 2020 to 19 August 2023. During the vesting period, 25% of the total number of share options granted would be vested on each anniversary date of grant. The grantees can exercise the share options commencing from the relevant vesting date and ending 10 years after the date of grant.

OTHER INFORMATION

6 May 2020

Share options granted on 6 May 2020 are vested in eligible grantees from 6 May 2021 to 6 May 2024. During the vesting period, 25% of the total number of share options granted would be vested on each anniversary date of grant. The grantees can exercise the share options commencing from the relevant vesting date and ending 10 years after the date of grant.

Save as disclosed above, during the Period, no other share options under the Share Option Scheme have been granted, exercised, lapsed or cancelled.

SHARE AWARD SCHEME (FUNDED BY EXISTING SHARES ONLY)

The Share Award Scheme was adopted by the Board on 24 December 2013 and amended on 19 August 2021 and 28 March 2023 (effective date: 28 June 2023). The purpose of the Share Award Scheme is to recognise the contributions by certain selected grantees and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Board may, from time to time, at their absolute discretion select any eligible person, who shall be any employee, director or consultant of any member of the Group (excluding any excluded grantee) for participation in the Share Award Scheme as a selected grantee. However, until so selected, no eligible person shall be entitled to participate in the Share Award Scheme. The awarded shares (where the Board has determined such number pursuant to the terms of the Share Award Scheme) shall be acquired by Computershare Hong Kong Trustees Limited, as the trustee (the "Trustee") from the open market by utilising the Company's resources provided to the Trustee, subject to the absolute discretion of the Board, and no Shares will be issued under the Share Award Scheme. The Company will contribute or grant cash to the Trustee to enable the Share Award Scheme to operate with necessary funds to purchase Shares. The vesting period shall, in any event, be no longer than 10 years.

It is intended that the awarded shares under the Share Award Scheme will be offered to the selected grantees to take up the relevant awarded shares for no consideration subject to the compliance with the relevant laws and regulations, and certain conditions to be decided by the Board at the time of grant of the awarded shares under the Share Award Scheme. Awarded shares shall be deemed to be accepted by the selected grantee when the Company receives a duplicate of the letter of grant signed by such selected grantee within 28 days after the granting. No amount is payable on acceptance of the awarded shares.

Shares held by the Trustee upon the trust and which are referable to a selected grantee shall vest to that selected grantee in accordance with a vesting schedule determined at the discretion of the Board, provided that the selected grantee remains at all times after the reference date (the date of final approval by the Board of the total number of shares to be awarded to the selected grantees in a single occasion pursuant to the Share Award Scheme or the date of an award by the Trustee pursuant to the trust deed) and on each relevant vesting date(s) an eligible person. The Board may also, in its absolute discretion, determine the performance, operating and financial targets and other criteria, if any, to be satisfied by the selected grantee before the awarded shares can vest.

OTHER INFORMATION

The Board shall not make any further award which will result in the number of shares awarded by the Board under the Share Award Scheme in excess of 10% of the issued share capital of the Company as at 24 December 2013. In any event, the unvested shares held by the Trustee at any time shall be less than 5% of the issued share capital of the Company. The Trustee shall not exercise any voting right attached in respect of any Shares held by it under the trust. The maximum number of Shares to all Controlling Shareholders which may be subject to an award or awards in any of the 12 months shall not in aggregate exceed 2% of the issued share capital of the Company from time to time. The maximum number of Shares which may be subject to an award or awards to a participant at any time under the Share Award Scheme shall not in aggregate exceed 1% of the issued share capital of the Company as at 24 December 2013.

Subject to any early termination as may be determined by the Board in accordance with the terms of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a renewal term of 10 years commencing on the effective date of the last amendment (i.e. 28 June 2023).

Details of the Share Award Scheme are set out in the Company's announcements dated 24 December 2013, 19 August 2021 and 28 March 2023.

Particulars and movements of the awarded shares under the Share Award Scheme during the Period were as follows:

Category of grantees	Date of grant	Number of awarded shares					Outstanding as at 30 June 2023
		Outstanding as at 31 December 2022	Granted during the Period (Notes 3, 4)	Vested during the Period (Note 2)	Lapsed/ forfeited during the Period (Note 1)	Cancelled during the Period	
Directors							
Mr. Zongjian Cai	6 May 2021	373,000	-	373,000	-	-	-
Mr. Yuan Xu	6 May 2021	289,500	-	289,500	-	-	-
Mr. Hong Zhang	6 May 2021	246,500	-	246,500	-	-	-
Ms. Jessie Shen	6 May 2021	272,000	-	272,000	-	-	-
Mr. Feng Chen	6 May 2021	195,500	-	195,500	-	-	-
Mr. Yuan Chi	6 May 2021	41,000	-	41,000	-	-	-
Dr. Horn Kee Leong	6 May 2021	36,000	-	36,000	-	-	-
Ms. Zhao Lu	6 May 2021	19,500	-	19,500	-	-	-
Mr. Dajian Yu	6 May 2021	19,500	-	19,500	-	-	-
(Resigned with effect from the conclusion of the 2023 AGM)							

OTHER INFORMATION

Category of grantees	Date of grant	Outstanding as at 31 December 2022	Number of awarded shares				Outstanding as at 30 June 2023
			Granted during the Period (Notes 3, 4)	Vested during the Period (Note 2)	Lapsed/ forfeited during the Period (Note 1)	Cancelled during the Period	
Directors' respective associate							
Ms. Kai Chen (spouse of Mr. Zongjian Cai)	19 August 2021	14,450	-	-	-	-	14,450
Ms. Mejia Chen (cousin of Mr. Yuan Xu)	19 August 2021	250,920	-	-	-	-	250,920
Substantial shareholder's associate							
Ms. Zhiying Chen (sister of Mr. Zhixiang Chen, a member of concert party group)	19 August 2021	3,845	-	-	-	-	3,845
Employees and other connected persons (Total no.: 633)							
	20 March 2019	50,000	-	50,000	-	-	-
	6 May 2019	46,122	-	31,122	15,000	-	-
	19 August 2019	125,000	-	-	5,000	-	120,000
	6 May 2020	717,852	-	346,424	58,000	-	313,428
	20 August 2020	320,000	-	-	50,000	-	270,000
	6 November 2020	444,364	-	-	-	-	444,364
	11 March 2021	600,636	-	195,277	14,795	-	390,564
	6 May 2021	111,757	-	44,764	17,500	-	49,493
	19 August 2021	5,119,646	-	-	308,560	-	4,811,086
	5 November 2021	662,500	-	-	312,500	-	350,000
	11 April 2022	3,376,298	-	991,794	40,000	-	2,344,504
	25 August 2022	102,500	-	-	30,000	-	72,500
	30 November 2022	110,000	-	-	-	-	110,000
	7 April 2023	-	464,354	-	-	-	464,354
	24 May 2023	-	10,000	-	-	-	10,000

OTHER INFORMATION

Category of grantees	Date of grant	Number of awarded shares					Outstanding as at 30 June 2023
		Outstanding as at 31 December 2022	Granted during the Period (Notes 3, 4)	Vested during the Period (Note 2)	Lapsed/ forfeited during the Period (Note 1)	Cancelled during the Period	
Consultant (Total no.: 1)	6 May 2019	2,750	–	2,750	–	–	–
	6 May 2020	4,000	–	2,000	–	–	2,000
Total		13,555,140	474,354	3,156,631	851,355	–	10,021,508

- Notes:
1. The lapse of awarded shares during the Period was due to the termination of employment of certain grantees.
 2. The weighted average closing price of the Shares immediately before the dates on which the awarded shares granted under the Share Award Scheme were vested was HK\$4.40 (for the year ended 31 December 2022: HK\$3.13) and the purchase price of the awarded shares granted under the Share Award Scheme were vested was at nil consideration.
 3. The awarded shares granted under the Share Award Scheme during the six months ended 30 June 2023 were not conditional upon satisfaction of performance target. There was no performance target set as a prerequisite for the grant, which aligns with the purpose of the Share Award Scheme in terms of rewarding employees for their past contribution to the Group.
 4. During the six months ended 30 June 2023, there were no awarded shares granted under the Share Award Scheme to the five highest paid individuals.

OTHER INFORMATION

20 March 2019

On 20 March 2019, the Board granted a total of 245,000 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees (including certain directors and substantial shareholders of certain wholly-owned subsidiaries of the Company) pursuant to the Share Award Scheme at nil consideration. Such awarded shares were vested in eligible grantees from 20 March 2020 to 20 March 2023. During the vesting period, 25% of the total number of awarded shares granted were vested on each anniversary date of grant.

6 May 2019

On 6 May 2019, the Board granted a total of 215,482 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees pursuant to the Share Award Scheme at nil consideration. Such awarded shares were vested in eligible grantees from 6 May 2020 to 6 May 2023. During the vesting period, 25% of the total number of awarded shares granted were vested on each anniversary date of grant.

19 August 2019

On 19 August 2019, the Board granted a total of 1,000,000 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees pursuant to the Share Award Scheme at nil consideration. Such awarded shares would be vested in eligible grantees from 19 August 2020 to 19 August 2023. During the vesting period, 25% of the total number of awarded shares granted would be vested on each anniversary date of grant.

OTHER INFORMATION

6 May 2020

On 6 May 2020, the Board granted a total of 1,881,000 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees pursuant to the Share Award Scheme at nil consideration. Such awarded shares are vested in eligible grantees from 6 May 2021 to 6 May 2024. During the vesting period, 25% of the total number of awarded shares granted would be vested on each anniversary date of grant.

20 August 2020

On 20 August 2020, the Board granted a total of 1,288,333 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees (including all independent non-executive Directors, and certain directors of certain wholly-owned subsidiaries of the Company) pursuant to the Share Award Scheme at nil consideration. 100% of the total number of the awarded shares granted to independent non-executive Directors were vested on the date of the annual general meeting in 2021. 100% of the total number of the awarded shares granted to certain directors of certain wholly-owned subsidiaries of the Company and certain eligible grantees were vested on 20 August 2021. Certain number of awarded shares were vested in certain eligible grantees from 20 August 2021 to 20 August 2022, during which 50% of the total number of the awarded shares granted were vested on each anniversary date of grant. The remaining awarded shares would be vested in certain eligible grantees from 20 August 2021 to 20 August 2024, during which 25% of the total number of awarded shares granted would be vested on each anniversary date of grant.

6 November 2020

On 6 November 2020, the Board granted a total of 963,730 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees pursuant to the Share Award Scheme at nil consideration. Such awarded shares are vested in eligible grantees from 6 November 2021 to 6 November 2024, during which 25% of the total number of awarded shares granted would be vested on each anniversary date of grant.

11 March 2021

On 11 March 2021, the Board granted a total of 1,117,890 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees pursuant to the Share Award Scheme at nil consideration. Such awarded shares are vested in eligible grantees from 11 March 2022 to 11 March 2025. During the vesting period, 25% of the total number of awarded shares granted would be vested on each anniversary date of grant.

OTHER INFORMATION

6 May 2021

On 6 May 2021, the Board granted a total of 3,192,565 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees (including all Directors) pursuant to the Share Award Scheme at nil consideration. Certain number of awarded shares were granted to the Directors, of which 50% of the total number of the awarded shares would be vested on each of the date of the annual general meeting in 2022 and 2023. Certain number of awarded shares were vested in certain eligible grantees from 6 May 2022 to 6 May 2023, during which 50% of the total number of the awarded shares granted were vested on each anniversary date of grant. The remaining awarded shares would be vested in certain eligible grantees from 6 May 2022 to 6 May 2025, during which 25% of the total number of awarded shares granted would be vested on each anniversary date of grant.

19 August 2021

On 19 August 2021, the Board granted a total of 12,516,650 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees (including connected persons) pursuant to the Share Award Scheme at nil consideration. Certain number of awarded shares would be vested in certain eligible grantees (including Ms. Kai Chen, Ms. Mejia Chen, Ms. Zhiying Chen and other connected persons) from 19 August 2022 to 19 August 2023, during which 50% of the total number of the awarded shares granted would be vested on each anniversary date of grant. The remaining awarded shares would be vested in certain eligible grantees from 19 August 2022 to 19 August 2025, during which 25% of the total number of awarded shares granted would be vested on each anniversary date of grant.

5 November 2021

On 5 November 2021, the Board granted a total of 1,100,000 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain eligible grantees pursuant to the Share Award Scheme at nil consideration. Certain number of awarded shares would be vested in certain eligible grantees from 5 November 2022 to 5 November 2023, during which 50% of the total number of the awarded shares granted would be vested on each anniversary date of grant. The remaining awarded shares would be vested in certain eligible grantees from 5 November 2022 to 5 November 2025, during which 25% of the total number of awarded shares granted would be vested on each anniversary date of grant.

OTHER INFORMATION

11 April 2022

On 11 April 2022, the Board granted a total of 3,498,580 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to connected persons and certain employees of the Group pursuant to the Share Award Scheme at nil consideration. Certain number of awarded shares would be vested in certain eligible grantees (including Mr. Shuo Wang, Mr. Chengfeng Luo, Mr. Xiandong Liu and Mr. Richard Chua Choon Kiat) from 11 April 2023 to 11 April 2026, during which 25% of the total number of the awarded shares granted would be vested on each anniversary date of grant. The remaining awarded shares would be vested in certain eligible grantees from 11 April 2023 to 11 April 2024, during which 50% of the total number of awarded shares granted would be vested on each anniversary date of grant.

25 August 2022

On 25 August 2022, the Board granted a total of 102,500 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain employees of the Group pursuant to the Share Award Scheme at nil consideration. Such awarded shares will be vested in the eligible grantees from 25 August 2023 to 25 August 2026. During the vesting period, 25% of the total number of the awarded shares granted will be vested on each anniversary date of grant.

30 November 2022

On 30 November 2022, the Board granted a total of 110,000 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain employees of the Group pursuant to the Share Award Scheme at nil consideration. Such awarded shares will be vested in the eligible grantees from 30 November 2023 to 30 November 2024. During the vesting period, 50% of the total number of the awarded shares granted will be vested on each anniversary date of grant.

During the Period, the Company granted the awarded shares as follows:

7 April 2023

On 7 April 2023, the Board granted a total of 464,354 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain employees of the Group pursuant to the Share Award Scheme at nil consideration. The closing price immediately before the date on which the awarded shares were granted on 7 April 2023 was HK\$4.35 and the fair value of the awarded shares on the date of grant was HK\$4.35 per share, amounting to approximately HK\$2.02 million in total. The fair values of the awarded shares granted to employees are recognised as employee costs with corresponding increases in the capital reserve in equity. The fair value of the awarded shares was calculated based on the market price of the Shares on the respective grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares. Certain number of awarded shares will be vested in certain eligible grantees from 7 April 2024 to 7 April 2027, during which 25% of the total number of the awarded shares granted will be vested on each anniversary date of grant. Certain number of awarded shares will be vested in certain eligible grantees from 7 April 2024 to 7 April 2025, during which 50% of the total number of the awarded shares granted will be vested on each anniversary date of grant.

OTHER INFORMATION

24 May 2023

On 24 May 2023, the Board granted a total of 10,000 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain employees of the Group pursuant to the Share Award Scheme at nil consideration. The closing price immediately before the date on which the awarded shares were granted on 24 May 2023 was HK\$4.32 and the fair value of the awarded shares on the date of grant was HK\$4.25 per share, amounting to HK\$42,500 in total. The fair values of the awarded shares granted to employees are recognised as employee costs with corresponding increases in the capital reserve in equity. The fair value of the awarded shares was calculated based on the market price of the Shares on the respective grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares. Such awarded shares will be vested in the eligible grantees from 24 May 2024 to 24 May 2025. During the vesting period, 50% of the total number of the awarded shares granted will be vested on each anniversary date of grant.

Save as disclosed above, during the Period, no other awarded shares were granted, vested, cancelled or lapsed under the Share Award Scheme.

During the Period, the Trustee, pursuant to the terms of the trust deed constituting the Share Award Scheme, in January 2023 purchased on the market a total of 649,000 Shares at an average price per share of HK\$3.0043 with a total consideration of HK\$1,949,816.47.

PERFORMANCE-BASED SHARE AWARD SCHEME

The Performance-based Share Award Scheme was adopted by the Board on 21 May 2021. The purpose of the Performance-based Share Award Scheme is to recognise the contributions by certain eligible persons, particularly the Directors, senior management and key personnel of certain divisions of the Group.

The Board may, at its absolute discretion, determine the vesting schedule and impose certain vesting conditions, such as performance index to the grant of Performance-based Awarded Shares which shall incentivize the selected grantees in achieving targeted performance indicators for the continuing development and growth of the Group, and to retain suitable personnel for further development of the Group. The Board may, from time to time, at its absolute discretion select any eligible person (excluding any excluded grantee) for participation in the Performance-based Share Award Scheme as a selected grantee. However, until so selected, no eligible person shall be entitled to participate in the Performance-based Share Award Scheme. The Performance-based Share Award Scheme shall be either (i) allotted and issued by the Company under general mandates or specific mandates granted to the Board by the Shareholders in the general meetings of the Company from time to time; (ii) allotted and issued by the Company under specific mandates granted to the Board by the Shareholders in the general meetings of the Company where (a) any grant of the performance-based awarded shares would cause the Company to issue and allot Shares in excess of the permitted amount in the general mandate available from time to time; or (b) any award of the Performance-based Awarded Shares by the Board to a selected grantee is made to a connected person of the Company; or (iii) acquired by the trustee from the open market by utilising the Company's resources provided to the trustee, subject to the absolute discretion of the Board.

OTHER INFORMATION

It is intended that the Performance-based Awarded Shares under the Performance-based Share Award Scheme will be offered to the selected grantees to take up the relevant Performance-based Awarded Shares for no consideration subject to the compliance with the relevant laws and regulations, and certain conditions to be decided by the Board at the time of grant of the Performance-based Awarded Shares under the Performance-based Share Award Scheme. The Performance-based Awarded Shares shall be deemed to be accepted by the selected grantee when the Company receives a duplicate of the letter of grant signed by such selected grantee within 28 days after the granting. No amount is payable on acceptance of the Performance-based Awarded Shares.

No Shares shall be subscribed for and/or purchased pursuant to the Performance-based Share Award Scheme nor any amounts paid to the trustee for the purpose of making such a subscription and/or purchase, if as a result of such subscription and/or purchase, the number of Shares administered under the Performance-based Share Award Scheme would represent more than 6% of the number of the issued Shares as at 21 May 2021 (subject to adjustment in the event of sub-division, consolidation or bonus issue of Shares in accordance with the rules of the Performance-based Share Award Scheme). There is no provision in respect of the maximum entitlement of each participant under the Performance-based Share Award Scheme.

Subject to any early termination as may be determined by the Board pursuant to the terms of the Performance-based Share Award Scheme, the Performance-based Share Award Scheme shall be valid and effective for a term of five (5) years commencing on 21 May 2021.

On 21 May 2021, the Board resolved to conditionally grant up to 71,635,355 Performance-based Awarded Shares, representing approximately 6% of the total issued share capital of the Company as at 21 May 2021 and being the maximum number of Performance-based Awarded Shares that can be granted under the Performance-based Share Award Scheme, to the grantees as set out below. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant.

OTHER INFORMATION

Particulars and movements of the Performance-based Awarded Shares under the Performance-based Share Award Scheme during the Period were as follows:

Category of grantees	Granted as approved by the Shareholders on 20 July 2021	Number of Performance-Based Awarded Shares			Outstanding as at 30 June 2023
		Outstanding as at 31 December 2022	Vested during the Period	Lapsed/forfeited during the Period	
Directors					
Mr. Zongjian Cai	38,444,306	30,755,444	–	7,688,861	23,066,583
Mr. Yuan Xu	7,163,535	5,730,828	–	1,432,707	4,298,121
Mr. Hong Zhang	6,447,181	5,157,744	–	1,289,436	3,868,308
Ms. Jessie Shen	5,253,259	4,202,607	–	1,050,652	3,151,955
Mr. Feng Chen	2,865,414	2,292,331	–	573,083	1,719,248
Other connected persons of the Company					
Ms. Meijia Chen (director of subsidiaries of the Company and senior vice president of the Group)	7,163,536	5,730,828	–	1,432,707	4,298,121
Mr. Hanling Fang (director of subsidiaries of the Company and vice president of the Group)	716,354	573,084	–	143,271	429,813
Mr. Shuo Wang (director of subsidiaries of the Company and vice president of the Group)	716,354	573,083	–	143,271	429,812
Mr. Chengfeng Luo (director of subsidiaries of the Company and senior director of research and development)	716,354	573,083	–	143,271	429,812
Employees (Total No.: 3)	<u>2,149,062</u>	<u>1,719,249</u>	<u>–</u>	<u>429,813</u>	<u>1,289,436</u>
Total	<u>71,635,355</u>	<u>57,308,281</u>	<u>–</u>	<u>14,327,072</u>	<u>42,981,209</u>

OTHER INFORMATION

Subject to the terms and conditions of the Performance-based Share Award Scheme and the satisfaction of the vesting conditions, an aggregate of up to 71,635,355 Performance-based Awarded Shares will be vested in five tranches, each to be vested to the grantees at nil consideration as soon as reasonably practicable after the end of each of the relevant measurement period (being the trading days within the thirty calendar days immediately after the date on which the annual results for the relevant financial year are published by the Company on the Stock Exchange) for the relevant financial year as set out below and upon determination by the Board (excluding Directors who are grantees) as to whether the vesting conditions have been satisfied for each such tranche and the actual number of Performance-based Awarded Shares to be vested under each such tranche.

Financial year	Percentage of Performance-based Awarded Shares to vest
Financial year ended 31 December 2021	20%
Financial year ended 31 December 2022	20%
Financial year ending 31 December 2023	20%
Financial year ending 31 December 2024	20%
Financial year ending 31 December 2025	20%

On 27 April 2022 and 27 April 2023, 14,327,074 and 14,327,072 Performance-based Awarded Shares have lapsed, respectively, due to the failure in satisfying all the vesting conditions. Save as disclosed above, as at the date of this report, no Performance-based Awarded Shares were vested, lapsed or cancelled under the Performance-based Share Award Scheme. Details of the Performance-based Share Award Scheme are set out in the Company's announcement dated 21 May 2021 and circular dated 28 June 2021.

As at the date of this report, the total number of Shares available for issue under the Performance-based Share Award Scheme is 42,981,209, which represents approximately 3.59% of the issued Shares as at the date of this report.

During the Period, no Performance-based Awarded Shares have been vested under the Performance-based Share Award Scheme.

OTHER INFORMATION

SHARE INCENTIVE SCHEME

The Share Incentive Scheme was adopted by the Company on 29 June 2023 by way of an ordinary resolution at the 2023 AGM. The purpose of the Share Incentive Scheme is to motivate eligible persons (including directors and employees of the Group, related entity participants and service providers) to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons.

The Board may, in its absolute discretion, select any eligible persons for offering the grant of any award. The Board shall, in its absolute discretion and at any time prior to the relevant offer date, determine whether the relevant award shall take the form of an option and/or a restricted share. To the extent permitted by the Listing Rules and other applicable laws, options which have been exercised or vesting of a restricted share under an award will be satisfied by the allotment and issue of new Shares by the Company. The Company may appoint a trustee to assist with the administration, exercise and vesting of awards granted under the Share Incentive Scheme. Save for the specific circumstances as prescribed under the Share Incentive Scheme, the vesting period for options and/or restricted shares under the Share Incentive Scheme shall not be less than 12 months from the offer date.

The maximum number of Shares which may be issued in respect of all awards to be granted under the Share Incentive Scheme and any other scheme(s) of the Company shall not in aggregate exceed 10% of the total issued Shares as at the date of the 2023 AGM, i.e., 119,800,659 Shares. Unless otherwise approved by Shareholders in general meeting in accordance with the Listing Rules, no awards may be granted to any eligible person of the Share Incentive Scheme such that the total number of Shares issued and to be issued in respect of all awards granted to such person pursuant to the Share Incentive Scheme and any other share schemes of the Company in any 12-month period up to and including the date of the latest grant exceeds 1% of the Company's issued share capital on the date of the latest grant. In particular, (i) unless otherwise approved by Shareholders in general meeting in accordance with the Listing Rules, no awards (excluding grant of options) may be granted to any Director (other than an independent non-executive Director), chief executive of the Company or any of their respective associates such that the total number of Shares issued and to be issued in respect of all awards granted to such person pursuant to the Share Incentive Scheme and any other share schemes of the Company in any 12-month period up to and including the date of the latest grant exceeds 0.1% of the Company's issued share capital on the date of the latest grant; and (ii) unless otherwise approved by Shareholders in general meeting in accordance with the Listing Rules, no awards (i.e. including grant of options and restricted shares) may be granted to an independent non-executive Director or a substantial shareholder of the Company or any of their respective associates such that the total number of Shares issued and to be issued in respect of all awards granted to such person pursuant to the Share Incentive Scheme and any other shares schemes of the Company in the 12-month period up to and including the date of the latest grant exceeds 0.1% of the Company's issued share capital on the date of the latest grant. As at the date of this report, the total number of Shares available for issue under the Share Incentive Scheme is 119,800,659, representing approximately 10% of the issued Shares as at the date of this report.

OTHER INFORMATION

An option to be granted under the Share Incentive Scheme may be exercised in accordance with the terms of the Share Incentive Scheme at any time during a period as determined by the Board and not exceeding 10 years from the offer date. The grantees accepting any grant of awards under the Share Incentive Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheets on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

The Share Incentive Scheme shall be valid and effective for a period of 10 years from 29 June 2023 and will expire on 28 June 2033 (or such earlier date as resolved by shareholders in general meeting), after which no further awards will be granted or offered. During the Period, no awards under the Share Incentive Scheme had been granted, exercised, vested, outstanding, lapsed or canceled.

The aggregate number of options and awards available for grant involving the allotment and issue of new Shares under the Share Option Scheme, the Performance-based Share Award Scheme and the Share Incentive Scheme as at 1 January 2023 and 30 June 2023 is set out below:

	As at 30 June 2023	As at 1 January 2023
Number of options available for grant under the Share Option Scheme	–	121,129,209
Number of awards available for grant under the Performance-based Share Award Scheme	–	–
Number of awards available for grant under the Share Incentive Scheme	<u>119,800,659¹</u>	<u>–</u>
Total number of options and awards available for grant	<u>119,800,659</u>	<u>121,129,209</u>

1. The number of awards available for grant to service providers under the Share Incentive Scheme is 11,980,065.

OTHER INFORMATION

The aggregate number of awards available for grant involving of existing Shares under the Share Award Scheme as at 1 January 2023 and 30 June 2023 is set out below:

	As at 30 June 2023	As at 1 January 2023
Number of awards available for grant under the Share Award Scheme	<u>88,257,927²</u>	<u>88,732,281</u>

- On 28 March 2023, the Board resolved to delete the provisions of allowing the Board to allot and issue Shares by general mandate granted to the Board to satisfy the issue of awarded shares upon vesting of an award under the Share Award Scheme with effect from 28 June 2023.

During the Period, (1) no share option was granted under the Share Option Scheme; (2) no Performance-based Awarded Shares was available for grant under the Performance-based Share Award Scheme; (3) the aggregate of 474,354 awarded shares granted to the eligible grantees have been purchased by the Trustee from the open market pursuant to the Share Award Scheme, therefore, no Shares will be issued in respect of the awarded shares granted under the Share Award Scheme; and (4) no award was granted under the Share Incentive Scheme. The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the Period divided by the weighted average number of Shares in issue for the Period is therefore not applicable.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the Period and up until the date of this report, except that as disclosed in the sections headed "Pre-IPO Share Option Scheme," "Share Option Scheme," "Share Award Scheme," "Performance-based Share Award Scheme" and "Share Incentive Scheme," none of the Directors or chief executives of the Company was granted any share options and/or awarded shares under the Pre-IPO Share Option Scheme, the Share Option Scheme, the Share Award Scheme, the Performance-based Share Award Scheme or the Share Incentive Scheme.

Save as disclosed above and in the section headed "Disclosure of Interest as per registers kept pursuant to the SFO" in this report, at no time for the six months ended 30 June 2023 were there rights to acquire benefits by means of the acquisition of shares in, or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

OTHER INFORMATION

COMPETING INTEREST

To the best knowledge of the Company, none of the Directors or the substantial shareholders of the Company or their respective associates has any interest in any business which competed or may compete with the business of the Group during the Period.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and to supervise the financial reporting process and risk management and internal control systems of the Group. The Audit Committee comprises all independent non-executive Directors, namely, Dr. Horn Kee Leong (chairman of the Audit Committee), Ms. Zhao Lu, Mr. Kam Wai Man (appointed with effect from the conclusion of the 2023 AGM) and Mr. Dajian Yu (resigned with effect from the conclusion of the 2023 AGM).

The Audit Committee has reviewed the unaudited interim financial report of the Group for the Period and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure in accordance with the Listing Rules has been made in respect thereof.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Fuzhou Tianmeng Structured Contracts

The existing PRC laws and regulations restrict foreign ownership in the value-added telecommunication businesses, and prohibit foreign ownership on internet content and information services, including carrying out internet culture operation (except for music) and online publishing services in the PRC. The wholly-owned subsidiary of the Company, Fuzhou Tianji, being a foreign-owned enterprise, does not have the requisite licenses to operate the online games business regarding value-added telecommunication businesses, and internet content and information services in the PRC.

In order to comply with PRC laws restricting foreign ownership in the value-added telecommunication businesses, and prohibiting foreign ownership on internet content and information services, the Group historically operated the online games business in China through Fuzhou Tianmeng. Fuzhou Tianmeng, as a domestic company established in China, holds certain of important licenses, including the ICP License and Online Publishing Service License, to operate our business.

OTHER INFORMATION

In 2007, Fuzhou Tianji, the Founders and Fuzhou Tianmeng entered into the Previous Structured Contracts, as supplemented by the agreements in 2009 and 2013, pursuant to which the financial results of Fuzhou Tianmeng would be combined with the Company as if Fuzhou Tianmeng were a subsidiary of the Group. For details of terms of the Previous Structured Contracts, please refer to page 84 to page 85 of 2018 Annual Report of the Company.

Termination of the Previous Structured Contracts and the entering into of the Fuzhou Tianmeng Structured Contracts

On 28 December 2018, each of the Founders and the Fuzhou Tianmeng Registered Holders entered into an equity transfer agreement (the “Equity Transfer Agreement”), pursuant to which each of the Founders agreed to transfer 50% of the equity interests in Fuzhou Tianmeng to Mr. Deyang Zheng and Mr. Chengfeng Luo, respectively, at a total consideration of RMB10.51 million. On the same date, the relevant parties as detailed below also entered into the following agreements as detailed below to change the registered shareholders of Fuzhou Tianmeng:

- (i) the termination agreement, pursuant to which the Founders, Fuzhou Tianmeng and Fuzhou Tianji agreed that subject to the entering into of the Fuzhou Tianmeng Structured Contracts by Fuzhou Tianmeng, Fuzhou Tianji and the Fuzhou Tianmeng Registered Holders, the Previous Structured Contracts would be terminated;
- (ii) the loan agreement, pursuant to which, among others, Fuzhou Tianji agreed to offer each of Mr. Deyang Zheng and Mr. Chengfeng Luo a loan for the purpose of providing to the Fuzhou Tianmeng Registered Holders the consideration under the Equity Transfer Agreement; and
- (iii) the tripartite agreement, pursuant to which, among others, Fuzhou Tianji, the Founders and the Fuzhou Tianmeng Registered Holders agreed to set-off the consideration under the Equity Transfer Agreement payable by the Fuzhou Tianmeng Registered Holders against the loans owed by the Founders to Fuzhou Tianji.

The Fuzhou Tianmeng Structured Contracts comprise eight agreements, the details of which are summarised as below:

- (i) **New Call Option Agreement:** on 28 December 2018, Fuzhou Tianmeng, Fuzhou Tianji and the Fuzhou Tianmeng Registered Holders entered into the call option agreement (the “New Call Option Agreement”), pursuant to which each of the Fuzhou Tianmeng Registered Holders irrevocably granted the exclusive right to Fuzhou Tianji or its designee(s) to acquire equity interest in or assets of Fuzhou Tianmeng as and when permitted by the PRC laws. The amount of consideration payable by Fuzhou Tianji to the equity holders of Fuzhou Tianmeng shall be RMB1.0 or the lowest possible amount permissible under the applicable PRC laws. The Fuzhou Tianmeng Registered Holders shall return any consideration they receive in the event that Fuzhou Tianji exercises the call option under the New Call Option Agreement to acquire equity interest in or assets of Fuzhou Tianmeng.

OTHER INFORMATION

- (ii) **New Equity Pledge Agreement:** on 28 December 2018, Fuzhou Tianji and the Fuzhou Tianmeng Registered Holders entered into the equity pledge agreement (the “New Equity Pledge Agreement”), pursuant to which the Fuzhou Tianmeng Registered Holders granted Fuzhou Tianji a continuing first priority security interest over their respective equity interest in Fuzhou Tianmeng, representing all of the equity interest in Fuzhou Tianmeng’s registered capital, for the purpose of securing the performance of contractual obligations by Fuzhou Tianmeng under the Fuzhou Tianmeng Structured Contracts. In addition, the Fuzhou Tianmeng Registered Holders agreed to allocate, use or deal with the dividends and other non-cash distributions paid for the equity interest in Fuzhou Tianmeng in any way according to the instruction of Fuzhou Tianji.
- (iii) **Power of Attorney of Mr. Deyang Zheng:** on 28 December 2018, Mr. Deyang Zheng issued a power of attorney (the “Power of Attorney of Mr. Deyang Zheng”), pursuant to which Mr. Deyang Zheng irrevocably authorised the Directors and their successors or the Company’s liquidator to exercise all the shareholders’ rights of Mr. Deyang Zheng in Fuzhou Tianmeng.
- (iv) **Power of Attorney of Mr. Chengfeng Luo:** on 28 December 2018, Mr. Chengfeng Luo issued a power of attorney (the “Power of Attorney of Mr. Chengfeng Luo,” together with the Power of Attorney of Mr. Deyang Zheng, the “New Power of Attorney”), pursuant to which Mr. Chengfeng Luo irrevocably authorised the Directors and their successors or the Company’s liquidator to exercise all the shareholders’ rights of Mr. Chengfeng Luo in Fuzhou Tianmeng.
- (v) **New Exclusive Technical Consulting Service Agreement:** on 28 December 2018, Fuzhou Tianmeng, Fuzhou Tianji and the Fuzhou Tianmeng Registered Holders entered into the exclusive technical consulting service agreement (the “New Exclusive Technical Consulting Service Agreement”), pursuant to which Fuzhou Tianmeng agreed to pay a fee to Fuzhou Tianji in return for Fuzhou Tianji providing exclusive technical consulting services as required by Fuzhou Tianmeng to support its operations. According to the New Exclusive Technical Consulting Service Agreement, unless otherwise agreed by both parties, Fuzhou Tianji would provide technical support and consultation services to Fuzhou Tianmeng, as the consideration, and the technical services fees will be paid on a quarterly basis and equal to Fuzhou Tianmeng’s total revenue deducting all related expenses, costs and taxes payable by Fuzhou Tianmeng.
- (vi) **New Online Game Licensing Agreement:** on 28 December 2018, Fuzhou Tianji and Fuzhou Tianmeng entered into the online game licensing agreement (the “New Online Game Licensing Agreement”), pursuant to which Fuzhou Tianji agreed to grant to Fuzhou Tianmeng usage rights on various online game software for operation in the PRC. As the consideration, Fuzhou Tianmeng is required to pay to Fuzhou Tianji (i) an initial licensing fee, payable after the signing date; and (ii) commissions payable on a quarterly basis according to a percentage generally accepted in the market and such commission shall be a fair value.

OTHER INFORMATION

- (vii) Spouse Undertaking of Mr. Deyang Zheng: on 28 December 2018, the spouse of Mr. Deyang Zheng issued a spouse undertaking (the “Spouse Undertaking of Mr. Deyang Zheng”) to the effect that (i) Mr. Deyang Zheng’s interests in Fuzhou Tianmeng (together with any other interests therein) do not fall within the scope of communal properties; (ii) she has no right to or control over such interests of Mr. Deyang Zheng and will not have any claim on such interest. No authorisation or consent will be needed from her for the performance, amendment or termination of the Fuzhou Tianmeng Structured Contracts by Mr. Deyang Zheng; (iii) she will execute all necessary documents and take all necessary actions to ensure the performance of the Fuzhou Tianmeng Structured Contracts; and (iv) in the event that she obtains any interests in Fuzhou Tianmeng, she will be subject to and abide by the terms of the Fuzhou Tianmeng Structured Contracts, and at the request of Fuzhou Tianji, she will sign any documents in the form and substance consistent with the Fuzhou Tianmeng Structured Contracts.
- (viii) Spouse Undertaking of Mr. Chengfeng Luo: on 28 December 2018, the spouse of Mr. Chengfeng Luo issued a spouse undertaking (the “Spouse Undertaking of Mr. Chengfeng Luo”, together with the Spouse Undertaking of Mr. Deyang Zheng, the “Spouse Undertakings”) to the effect that (i) Mr. Chengfeng Luo’s interests in Fuzhou Tianmeng (together with any other interests therein) do not fall within the scope of communal properties; (ii) she has no right to or control over such interests of Mr. Chengfeng Luo and will not have any claim on such interest. No authorisation or consent will be needed from her for the performance, amendment or termination of the Fuzhou Tianmeng Structured Contracts by Mr. Chengfeng Luo; (iii) she will execute all necessary documents and take all necessary actions to ensure the performance of the Fuzhou Tianmeng Structured Contracts; and (iv) in the event that she obtains any interests in Fuzhou Tianmeng, she will be subject to and abide by the terms of the Fuzhou Tianmeng Structured Contracts, and at the request of Fuzhou Tianji, she will sign any documents in the form and substance consistent with the Fuzhou Tianmeng Structured Contracts.

Please refer to the announcement dated 28 December 2018 for details of the continuing connected transactions relating to the entering into of the Fuzhou Tianmeng Structured Contracts.

The Xinhan Liaokuo Structured Contracts

Xinhan Liaokuo is a domestic company established in China in September 2020 and holds an ICP License to operate the online games business in the PRC.

After the analysis of the Group’s game operating strategy and in order to extend the game publishing network in the PRC, the Directors believe that the entry into another set of structured contracts is in the best interests of the Company and the Shareholders as a whole. Therefore, in 2020, Hainan Tianzhi, Xinhan Liaokuo and Xinhan Liaokuo Registered Holders entered into the Xinhan Liaokuo Structured Contracts, pursuant to which the financial results of Xinhan Liaokuo would be combined with the Company as if Xinhan Liaokuo were a subsidiary of the Group.

OTHER INFORMATION

The Xinhan Liaokuo Structured Contracts comprise eight agreements, the details of which are summarised as below:

- (i) **Xinhan Liaokuo Call Option Agreement:** on 30 October 2020, Hainan Tianzhi, Xinhan Liaokuo and the Xinhan Liaokuo Registered Holders entered into the call option agreement (the “Xinhan Liaokuo Call Option Agreement”), pursuant to which each of the Xinhan Liaokuo Registered Holders irrevocably granted the exclusive right to Hainan Tianzhi or its designee(s) to acquire equity interest in or assets of Xinhan Liaokuo as and when permitted by the PRC laws. The amount of consideration payable by Hainan Tianzhi to the equity holders of Xinhan Liaokuo shall be RMB1.0 or the lowest possible amount permissible under the applicable PRC laws. The Xinhan Liaokuo Registered Holders shall return any consideration they receive in the event that Hainan Tianzhi exercises the call option under the Xinhan Liaokuo Call Option Agreement to acquire equity interest in or assets of Xinhan Liaokuo.
- (ii) **Xinhan Liaokuo Equity Pledge Agreement:** on 30 October 2020, Hainan Tianzhi and the Xinhan Liaokuo Registered Holders entered into the equity pledge agreement (the “Xinhan Liaokuo Equity Pledge Agreement”), pursuant to which the Xinhan Liaokuo Registered Holders granted Hainan Tianzhi a continuing first priority security interest over their respective equity interest in Xinhan Liaokuo, representing all of the equity interest in Xinhan Liaokuo’s registered capital, for the purpose of securing the performance of contractual obligations by Xinhan Liaokuo under the Xinhan Liaokuo Structured Contracts. In addition, the Xinhan Liaokuo Registered Holders agreed to allocate, use or deal with the dividends and other non-cash distributions paid for the equity interest in Xinhan Liaokuo in any way according to the instruction of Hainan Tianzhi.
- (iii) **Second Power of Attorney of Mr. Deyang Zheng:** on 30 October 2020, Mr. Deyang Zheng issued a power of attorney (the “Second Power of Attorney of Mr. Deyang Zheng”), pursuant to which Mr. Deyang Zheng irrevocably authorised the Directors and their successors or the Company’s liquidator to exercise all the shareholders’ rights of Mr. Deyang Zheng in Xinhan Liaokuo.
- (iv) **Second Power of Attorney of Mr. Chengfeng Luo:** on 30 October 2020, Mr. Chengfeng Luo issued a power of attorney (the “Second Power of Attorney of Mr. Chengfeng Luo,” together with the Second Power of Attorney of Mr. Deyang Zheng, the “Second Power of Attorney”), pursuant to which Mr. Chengfeng Luo irrevocably authorised the Directors and their successors or the Company’s liquidator to exercise all the shareholders’ rights of Mr. Chengfeng Luo in Xinhan Liaokuo.
- (v) **Xinhan Liaokuo Exclusive Technical Consulting Service Agreement:** on 30 October 2020, Xinhan Liaokuo, Hainan Tianzhi and the Xinhan Liaokuo Registered Holders entered into the exclusive technical consulting service agreement (the “Xinhan Liaokuo Exclusive Technical Consulting Service Agreement”), pursuant to which Xinhan Liaokuo agreed to pay a fee to Hainan Tianzhi in return for Hainan Tianzhi providing exclusive technical consulting services as required by Xinhan Liaokuo to support its operations. According to the Xinhan Liaokuo Exclusive Technical Consulting Service Agreement, unless otherwise agreed by both parties, Hainan Tianzhi would provide technical support and consultation services to Xinhan Liaokuo, as the consideration, and the technical services fees will be paid on a quarterly basis and equal to Xinhan Liaokuo’s total revenue deducting all related expenses, costs and taxes payable by Xinhan Liaokuo.

OTHER INFORMATION

- (vi) Xinhua Liaokuo Online Game Licensing Agreement: on 30 October 2020, Hainan Tianzhi and Xinhua Liaokuo entered into the online game licensing agreement (the “Xinhua Liaokuo Online Game Licensing Agreement”), pursuant to which Hainan Tianzhi agreed to grant to Xinhua Liaokuo usage rights on various online game software for operation in the PRC. As the consideration, Xinhua Liaokuo is required to pay to Hainan Tianzhi (i) an initial licensing fee, payable after the signing date; and (ii) commissions payable on a quarterly basis according to a percentage generally accepted in the market and such commission shall be a fair value.
- (vii) Second Spouse Undertaking of Mr. Deyang Zheng: on 30 October 2020, the spouse of Mr. Deyang Zheng issued a spouse undertaking (the “Second Spouse Undertaking of Mr. Deyang Zheng”) to the effect that (i) Mr. Deyang Zheng’s interests in Xinhua Liaokuo (together with any other interests therein) do not fall within the scope of communal properties; (ii) she has no right to or control over such interests of Mr. Deyang Zheng and will not have any claim on such interest. No authorisation or consent will be needed from her for the performance, amendment or termination of the Xinhua Liaokuo Structured Contracts by Mr. Deyang Zheng; (iii) she will execute all necessary documents and take all necessary actions to ensure the performance of the Xinhua Liaokuo Structured Contracts; and (iv) in the event that she obtains any interests in Xinhua Liaokuo, she will be subject to and abide by the terms of the Xinhua Liaokuo Structured Contracts, and at the request of Hainan Tianzhi, she will sign any documents in the form and substance consistent with the Xinhua Liaokuo Structured Contracts.
- (viii) Second Spouse Undertaking of Mr. Chengfeng Luo: on 30 October 2020, the spouse of Mr. Chengfeng Luo issued a spouse undertaking (the “Second Spouse Undertaking of Mr. Chengfeng Luo,” together with the Second Spouse Undertaking of Mr. Deyang Zheng, the “Second Spouse Undertakings”) to the effect that (i) Mr. Chengfeng Luo’s interests in Xinhua Liaokuo (together with any other interests therein) do not fall within the scope of communal properties; (ii) she has no right to or control over such interests of Mr. Chengfeng Luo and will not have any claim on such interest. No authorisation or consent will be needed from her for the performance, amendment or termination of the Xinhua Liaokuo Structured Contracts by Mr. Chengfeng Luo; (iii) she will execute all necessary documents and take all necessary actions to ensure the performance of the Xinhua Liaokuo Structured Contracts; and (iv) in the event that she obtains any interests in Xinhua Liaokuo, she will be subject to and abide by the terms of the Xinhua Liaokuo Structured Contracts, and at the request of Hainan Tianzhi, she will sign any documents in the form and substance consistent with the Xinhua Liaokuo Structured Contracts.

For the purpose of the Listing, the Company applied to the Stock Exchange, and the Stock Exchange granted a waiver from (i) strict compliance with the announcement and independent Shareholders’ approval of the Company, (ii) setting a maximum aggregate annual value under Fuzhou Tianmeng Structured Contracts, and (iii) fixing the terms of Fuzhou Tianmeng Structured Contracts to three years or less, for as long as Shares are listed on the Stock Exchange, subject to numerous conditions as set out in the section headed “Continuing Connected Transactions” of the Prospectus. The Xinhua Liaokuo Structured Contracts are cloned from the Fuzhou Tianmeng Structured Contracts with substantially the same terms. Pursuant to the aforementioned conditions, cloning of structured contracts similar to the Fuzhou Tianmeng Structured Contracts will not be subject to the strict requirements of announcement and shareholders’ approval under Chapter 14A of the Listing Rules.

OTHER INFORMATION

Contribution of the Structured Contracts to the Group

The Directors are of the view that the Group kept the Structured Contracts to maintain presence in the PRC for further development but the business and operation of the Group do not rely on Fuzhou Tianmeng, Xinhan Liaokuo or the Structured Contracts.

The tables below compare the number of games operated, game revenue and assets attributable to Fuzhou Tianmeng and Xinhan Liaokuo during the Period:

Number of games operated:

	As at 30 June 2023	
	Developed in-house	Licensed
Fuzhou Tianmeng	1	1
Xinhan Liaokuo	–	–

Game revenue*:

	For the six months ended 30 June 2023	
	Revenue attributable to the relevant entity HK\$' 000	Percentage of the total revenue of the Group %
Fuzhou Tianmeng	64,347	2.57
Xinhan Liaokuo	–	–

* Game revenue is from external customers.

OTHER INFORMATION

Assets:

	As at 30 June 2023	
	Assets attributable to the relevant entity HK\$' 000	Percentage of the total assets of the Group %
Fuzhou Tianmeng	220,712	6.19
Xinhan Liaokuo	42	0.00*

* This percentage represents a percentage less than 0.01.

On-going reporting and approvals

The Company confirmed that, as at the date hereof, the Structured Contracts had not been challenged by the relevant authorities in the PRC and the Group had not encountered any interference or encumbrance from any PRC governing bodies in operating their business through Fuzhou Tianmeng and Xinhan Liaokuo under the Structured Contracts.

The Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and the compliance with the Structured Contracts:

- The Company confirms that in order to ensure the operation of the Structured Contracts, the Company has reviewed the overall performance and compliance with the Structured Contracts for the Period.
- The independent non-executive Directors will review the Structured Contracts annually and confirm in the annual reports that (i) the transactions carried out during such year have been entered into in accordance with relevant terms of the Structured Contracts such that all revenue generated by Fuzhou Tianmeng and Xinhan Liaokuo deducting all related expenses, costs and the taxes payable by them has been retained by the Group; (ii) no dividends or other distributions have been made by Fuzhou Tianmeng and Xinhan Liaokuo to their respective equity interest holders; and (iii) no new contracts or renewed contracts have been entered into on the same terms as the Structured Contracts.
- Major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis.
- The Company will disclose the overall performance and compliance with the Structured Contracts in its annual/interim report to update the Shareholders and potential investors.
- The Directors will provide periodic updates in the annual/interim reports regarding the qualification requirements as stipulated under the FITE Regulations and the development of laws and regulations on foreign investment, including the latest relevant regulatory development.

OTHER INFORMATION

- The Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of Fuzhou Tianji, Fuzhou Tianmeng, Hainan Tianzhi and Xinhan Liaokuo to deal with specific issues or matters arising from the Structured Contracts.
- The Company has engaged KPMG as its auditor to perform procedures annually on the transactions contemplated under the Structured Contracts and the auditor will carry out procedures annually to ensure that no dividend or other distributions have been distributed by Fuzhou Tianmeng and Xinhan Liaokuo to their respective equity holders which was not subsequently assigned or transferred to our Group and relevant transactions have received approval of the Board and were entered into in accordance with the terms of the Structured Contracts.
- Save as disclosed in the interim report and in compliance with the applicable requirements under the Listing Rules, the Group has not renewed and/or reproduced any of the framework of and terms and conditions similar to those of the Structured Contracts in relation to any existing or new wholly foreign-owned enterprise or operating company.
- Each of Fuzhou Tianmeng and Xinhan Liaokuo has provided the Company's management and auditors with full access to relevant records for the purpose of the auditors' performance of review procedures on relevant transactions under the Structured Contracts.

Regulatory Matters in Relation to the Structured Contracts

FITE Regulations

Foreign investment in telecommunications sector is governed by the Regulations on Administration of Foreign Invested Telecommunications Enterprises (外商投資電信企業管理規定) (the "FITE Regulations"), which were promulgated by the State Council on 11 December 2001 and amended on 10 September 2008, 6 February 2016 and 29 March 2022. A foreign-invested telecommunications enterprise, or FITE, is allowed to be engaged in value-added telecommunications business, provided that the foreign investor's ultimate equity holding percentage in a value-added telecommunications business shall not exceed 50% unless otherwise prescribed by the State. The current operation of the Company in the online games business in the PRC is subject to the aforementioned regulation where the foreign investor's ultimate equity holding percentage of which shall not exceed 50%. Under the amendment to the FITE Regulations on 29 March 2022, it removed the requirement that the principal foreign investors of FITE operating value-added telecommunications businesses should have "a good track record and operational experience" in their value-added telecommunications businesses.

OTHER INFORMATION

In this regard, our PRC legal advisers, Jingtian & Gongcheng, advised that (i) the current operation of the Group in the online games business in the PRC involves internet cultural activities regulated in the Interim Provisions on the Administration of Internet Culture (《互聯網文化管理暫行規定》); (ii) Fuzhou Tianmeng currently holds an Online Publishing Service License (網絡出版服務許可證) to carry out businesses in relation to online games publications; and (iii) internet culture operation (except for music) and online publishing services fall within the scope of prohibited areas of foreign investments under the Special Administrative Measure (Negative List) for the Access of Foreign Investment (2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》). Our PRC legal advisers, Jingtian & Gongcheng, also advised that the Group shall continue to comply with the requirement as disclosed in the Prospectus with regard to the PRC laws and regulations restricting foreign ownership in the value-added telecommunication businesses, and foreign ownership prohibitions on internet content and information services, including carrying out internet culture operation (except for music) and online publishing services since the Listing Date up to the date of this report. We intend to be qualified to acquire the entire equity interests in Fuzhou Tianmeng and Xinhan Liaokuo to the extent permitted by PRC laws when the abovementioned laws and regulations are lifted.

Foreign Investment Law

The Foreign Investment Law (外商投資法) (the “FIL”), approved by the second session of the 13th National People’s Congress, and the Regulation on the Implementation of the Foreign Investment Law (外商投資法實施條例) (the “FIL Implementation Regulation”), promulgated by the State Council, have come into effect on 1 January 2020.

According to the FIL, the investment in China directly or indirectly by foreign natural persons, enterprises or other organisations (“Foreign Investors”) is defined as foreign investment (“Foreign Investment”), which includes the following situations: (1) Foreign Investors alone or cooperate with other investors to establish foreign-invested enterprises in China; (2) Foreign Investors acquire shares, equities, property shares or other similar rights of Chinese domestic enterprises; (3) Foreign Investors alone or cooperate with other investors invest projects in China; (4) other means of investment prescribed by laws, administrative regulations or rules promulgated by the State Council. According to Jingtian & Gongcheng, our PRC legal advisers, the FIL and the FIL Implementation Regulation do not clearly stipulate whether the Structured Contracts are a form of Foreign Investment.

In accordance with the existing provisions of the FIL and the FIL Implementation Regulation and if the laws, administrative regulations and the State Council do not include the Structured Contracts as a form of Foreign Investment, the Structured Contracts will not be materially affected. However, in view of the provisions of the above-mentioned situation (4) of Foreign Investment in the FIL, it is not excluded that the Structured Contracts may be regarded as a form of Foreign Investment according to laws, administrative regulations or rules promulgated by the State Council in the future. In this regard, the Company cannot guarantee that the Structured Contracts and the operations of Fuzhou Tianmeng and Xinhan Liaokuo will not be materially and adversely affected by changes in PRC laws and regulations in the future.

OTHER INFORMATION

Since the FIL and the FIL Implementation Regulation do not clarify whether the Structured Contracts are a form of Foreign Investment, the Company believes that it may not be appropriate at this stage to formulate specific measures to avoid the Structured Contracts being recognised as a form of Foreign Investment under the FIL. If the Structured Contracts is recognised as a form of Foreign Investment in the future, and there is no special provision for the Structured Contracts that allows Fuzhou Tianmeng and Xinhan Liaokuo, provided that certain conditions are met, to continue to carry out relevant foreign investment restricted or prohibited businesses, the Company might be requested to dispose of its interests in Fuzhou Tianmeng and Xinhan Liaokuo. The appropriate risk factors had already been disclosed in the paragraph headed “Risks And Limitations Relating To The New VIE Structure – There is no assurance that the contractual arrangements between Fuzhou Tianji and Fuzhou Tianmeng will be deemed to be in compliance with existing or future PRC laws and regulations” in the announcement of the Company dated 28 December 2018.

The Company confirms that if the Structured Contracts are required to be unwind or the Company is required to dispose the interests in Fuzhou Tianmeng and Xinhan Liaokuo in the future, it can engage other domestic publishers with the due qualifications and licenses to operate its online games in the PRC, which may adversely affect the Group’s operational and financial performance because engaging other domestic publishers may impose more costs to the Group. However, the Company expects that such adverse impact on the Group’s operational and financial performance will not be material considering that (1) the revenue and assets attributable to the Structured Contracts are about 2.57% and 6.19% for the Period, respectively, and (2) there is no legal obstacle for Fuzhou Tianmeng and Xinhan Liaokuo to transfer their respective assets to Fuzhou Tianji, Hainan Tianzhi or IGG Singapore, as the case maybe, a subsidiary of the Group.

REVIEW REPORT ON THE INTERIM FINANCIAL REPORT



Review report to the Board of Directors of IGG Inc
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 56 to 93 which comprises the consolidated statement of financial position of IGG Inc (the “Company”) and its subsidiaries (together the “Group”) as of 30 June 2023 and the related consolidated statement of profit or loss, statement of comprehensive loss, statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The Directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

23 August 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2023 – unaudited

	Note	Six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
Revenue	3	2,499,020	2,485,739
Cost of revenue		<u>(693,307)</u>	<u>(787,102)</u>
Gross profit		1,805,713	1,698,637
Other net gains/(losses)	4	23,326	(88,167)
Selling and distribution expenses		(1,521,188)	(822,038)
Administrative expenses		(158,746)	(197,031)
Research and development expenses		<u>(500,419)</u>	<u>(738,152)</u>
Loss from operations		(351,314)	(146,751)
Finance costs	5(b)	(2,066)	(2,511)
Share of results of associates and joint ventures		<u>6,520</u>	<u>(8,294)</u>
Loss before taxation	5	(346,860)	(157,556)
Income tax expenses	6	<u>(12,938)</u>	<u>(14,215)</u>
Loss for the period		<u>(359,798)</u>	<u>(171,771)</u>
Attributable to:			
Equity shareholders of the Company		(359,798)	(171,771)
Non-controlling interests		<u>–</u>	<u>–</u>
Loss for the period		<u>(359,798)</u>	<u>(171,771)</u>
Loss per share	7		
Basic and diluted		<u>HK\$(0.3080)</u>	<u>HK\$(0.1481)</u>

The notes on pages 63 to 93 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 19.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

for the six months ended 30 June 2023 – unaudited

	Six months ended 30 June	
	2023	2022
	HK\$' 000	HK\$' 000
Loss for the period	(359,798)	(171,771)
Other comprehensive loss for the period, after tax		
<i>Item that is or may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	(60,389)	(119,245)
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences on translation from functional currency to presentation currency	15,404	21,269
Total comprehensive loss for the period	<u>(404,783)</u>	<u>(269,747)</u>
Attributable to:		
Equity shareholders of the Company	(404,783)	(269,747)
Non-controlling interests	–	–
Total comprehensive loss for the period	<u>(404,783)</u>	<u>(269,747)</u>

The notes on pages 63 to 93 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023 – unaudited

	Note	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Non-current assets			
Property, plant and equipment	8	595,563	585,838
Investment properties	8	26,156	–
Intangible assets		3,764	7,690
Land use rights	9	212,953	222,693
Other non-current assets	10	37,132	48,295
Interests in associates and joint ventures	11	220,330	222,893
Financial assets at fair value through profit or loss	12	386,059	432,452
Deferred tax assets		40,336	38,867
Restricted deposits	15	–	30,643
Total non-current assets		1,522,293	1,589,371
Current assets			
Inventories		49	578
Trade and other receivables	13	116,168	70,627
Funds receivable	14	363,138	333,576
Prepayments		36,039	40,987
Financial assets at fair value through profit or loss	12	78	–
Restricted deposits	15	43,861	14,077
Fixed deposits held at bank with maturity over 3 months when acquired		–	5,089
Cash and cash equivalents	16	1,481,464	1,581,832
Total current assets		2,040,797	2,046,766
Current liabilities			
Trade and other payables	17	828,532	538,213
Lease liabilities	18	49,556	43,418
Tax payable		123,305	130,395
Deferred revenue		200,396	187,893
Total current liabilities		1,201,789	899,919
Net current assets		839,008	1,146,847
Total assets less current liabilities		2,361,301	2,736,218

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

at 30 June 2023 – unaudited

	Note	At 30 June 2023 HK\$' 000	At 31 December 2022 HK\$' 000
Non-current liabilities			
Lease liabilities	18	26,793	19,581
Deferred tax liabilities		3,100	4,770
Total non-current liabilities		29,893	24,351
NET ASSETS		2,331,408	2,711,867
CAPITAL AND RESERVES			
Share capital	19(b)	23	23
Reserves		2,331,385	2,711,844
TOTAL EQUITY		2,331,408	2,711,867

Approved and authorised for issue by the board of directors on 23 August 2023.

Zongjian Cai
Director

Jessie Shen
Director

The notes on pages 63 to 93 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2023 – unaudited

Attributable to equity shareholders of the Company										
Note	Share capital HK\$' 000	Share premium HK\$' 000	Shares held			Statutory reserve HK\$' 000	Other reserve HK\$' 000	Exchange reserve HK\$' 000	Retained profits HK\$' 000	Total equity HK\$' 000
			Share-based payment reserve HK\$' 000	for share award scheme HK\$' 000						
Balance at 31 December 2022 and 1 January 2023	23	6,571	146,228	(232,751)	1,599	56,095	(148,418)	2,882,520	2,711,867	
Changes in equity for the six months ended 30 June 2023										
Loss for the period	-	-	-	-	-	-	-	(359,798)	(359,798)	
Other comprehensive loss	-	-	-	-	-	-	(44,985)	-	(44,985)	
Total comprehensive loss	-	-	-	-	-	-	(44,985)	(359,798)	(404,783)	
Equity-settled share-based payment	-	-	25,783	-	-	-	-	-	25,783	
Shares purchased for the share award scheme	19(b)	-	-	(1,950)	-	-	-	-	(1,950)	
Exercise of share options	19(b)	-*	836	(345)	-	-	-	-	491	
Vesting of awarded shares	19(b)	-	1,587	(26,291)	24,704	-	-	-	-	
Appropriation to statutory reserves	-	-	-	-	788	-	-	(788)	-	
Balance at 30 June 2023	23	8,994	145,375	(209,997)	2,387	56,095	(193,403)	2,521,934	2,331,408	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2023 – unaudited

Attributable to equity shareholders of the Company										
Note	Share capital HK\$'000	Share premium HK\$'000	Share-based payment reserve HK\$'000	Shares held		Statutory reserve HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
				award scheme HK\$'000	for share HK\$'000					
Balance at 31 December 2021 and 1 January 2022	23	–	126,404	(301,661)		900	56,095	44,887	3,386,808	3,313,456
Changes in equity for the six months ended 30 June 2022:										
Loss for the period	–	–	–	–	–	–	–	–	(171,771)	(171,771)
Other comprehensive loss	–	–	–	–	–	–	–	(97,976)	–	(97,976)
Total comprehensive loss	–	–	–	–	–	–	–	(97,976)	(171,771)	(269,747)
Equity-settled share-based payment	–	–	67,032	–	–	–	–	–	–	67,032
Exercise of share options	19(b)	–*	3,609	(1,170)	–	–	–	–	–	2,439
Vesting of awarded shares	19(b)	–	5,878	(26,467)	20,589	–	–	–	–	–
Appropriation to statutory reserves	–	–	–	–	–	699	–	–	(699)	–
Balance at 30 June 2022	23	9,487	165,799	(281,072)		1,599	56,095	(53,089)	3,214,338	3,113,180

* These amounts represent amounts less than HK\$1,000.

The notes on pages 63 to 93 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2023 – unaudited

	Note	Six months ended 30 June	
		2023 HK\$' 000	2022 HK\$' 000
Operating activities			
Cash used in operations		(47,998)	(82,391)
Income tax paid		(13,861)	(60,287)
Interest received		17,683	2,942
Net cash used in operating activities		(44,176)	(139,736)
Investing activities			
Payment for acquisitions of financial assets at fair value through profit or loss		(83)	(23,883)
Proceeds from disposal of financial assets at fair value through profit or loss		42,364	–
Investments in associates		–	(6,278)
Payment for the acquisitions of property, plant and equipment and intangible assets		(60,229)	(50,627)
Dividends received		9	741
Proceeds from disposal of property, plant and equipment and intangible assets		252	678
Loan to a third party		–	(7,862)
Placement of fixed deposits held at bank with original maturity over 3 months when acquired		–	(5,267)
Uplift of fixed deposits held at bank with original maturity over 3 months when acquired		5,089	–
Net cash used in investing activities		(12,598)	(92,498)
Financing activities			
Capital element of lease rentals paid		(35,685)	(26,872)
Interest element of lease rentals paid		(2,066)	(2,511)
Payments for purchase of shares for share award scheme		(1,950)	–
Proceeds from exercise of share options		491	2,439
Net cash used in financing activities		(39,210)	(26,944)
Net change in cash and cash equivalents		(95,984)	(259,178)
Cash and cash equivalents at 1 January		1,581,832	1,949,971
Effect of foreign exchanges rates changes		(4,384)	(20,375)
Cash and cash equivalents at 30 June	16	1,481,464	1,670,418

The notes on pages 63 to 93 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standard Board (“IASB”). The interim financial report was authorised for issue on 23 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of IGG Inc (the “Company”) and its subsidiaries (together the “Group”) since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 55.

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. The Company’s auditor has expressed an unqualified opinion on those financial statements in its report dated 28 March 2023.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new accounting standards and amendments to IFRSs that are first effective for the current accounting period of the Group.

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRSs are discussed below:

IFRS 17, *Insurance contracts*

IFRS 17, which replaces IFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of IFRS 17.

Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (Continued)

Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction.

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

The change in accounting policy will also be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2023.

Amendments to IAS 12, Income taxes: International tax reform – Pillar Two model rules

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD") (income tax arising from such tax laws is hereafter referred to as "Pillar Two income taxes"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax. The amendments are immediately effective upon issuance and require retrospective application. The amendments do not have a material impact on these financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND OPERATING SEGMENT INFORMATION

The Group was principally engaged in the development and operation of mobile games and applications in the international market.

For the six months ended 30 June 2023, most of revenue is generated from mobile games and recognised over time. All revenue generated from the Group's business is within the scope of IFRS 15.

The Group's customer base was diversified, and no customer had transactions with the Group exceeding 10% of the Group's aggregate revenue during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

As at 30 June 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK\$200,396,000 (31 December 2022: HK\$187,893,000), and the Group will recognise this revenue in the second half of 2023.

Revenue of HK\$187,893,000 recognised in the six months ended 30 June 2023 was included in the balance of deferred revenue at the beginning of the period.

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, focuses on financial results of the Group as a whole reported under IFRSs. Other information provided to the chief operating decision-makers also included a breakdown of the Group's revenue which is as follows:

	Six months ended 30 June	
	2023	2022
	HK\$' 000	HK\$' 000
Revenue from mobile games		
– “Lords Mobile”	1,657,471	2,008,898
– “Doomsday: Last Survivors”	249,850	4,051
– “Viking Rise”	122,880	–
– Others	279,733	425,580
	<u>2,309,934</u>	<u>2,438,529</u>
Revenue from application and mobile advertisement mediation platform business		
	<u>189,086</u>	<u>47,210</u>
	<u>2,499,020</u>	<u>2,485,739</u>

Except for the above information, no further information about the operating segment is presented.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND OPERATING SEGMENT INFORMATION (Continued)

Geographical information

The following table sets out information about the geographical locations of the Group's revenue from external customers and the Group's specified non-current assets. Specified non-current assets exclude financial assets at fair value through profit or loss and deferred tax assets. For mobile game revenue, the geographical locations of customers are based on the Internet Protocol locations of the game players. For revenue from application and mobile advertisement mediation platform business, the geographical locations of customers are based on the locations of operations of the customers. The geographical locations of the specified non-current assets are based on the physical locations or the location of operations of the assets:

(a) Revenues by geographical regions

	Six months ended 30 June	
	2023	2022
	HK\$' 000	HK\$' 000
Asia	1,101,327	911,900
Europe	645,728	606,640
North America	618,181	813,774
Others	133,784	153,425
	<u>2,499,020</u>	<u>2,485,739</u>

(b) Specified non-current assets

	At	At
	30 June	31 December
	2023	2022
	HK\$' 000	HK\$' 000
Asia	895,144	917,742
Europe	154,875	163,437
North America	44,915	35,693
Others	964	1,180
	<u>1,095,898</u>	<u>1,118,052</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OTHER NET GAINS/(LOSSES)

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Impairment loss on interests in associates and joint ventures (Note 11)	(3,859)	(115,522)
Government grants [^]	4,598	6,644
Bank interest income	17,683	2,942
Exchange gain	7,855	8,717
Gain on disposal of financial assets at fair value through profit or loss	6,072	–
Net fair value (losses)/gains on investments	(7,775)	10,070
Others	(1,248)	(1,018)
	<u>23,326</u>	<u>(88,167)</u>

[^] Government grants mainly included cash grants related to financial subsidies for enterprises in Chinese Mainland and rewards for enterprises in cultural industry. There are no unfulfilled conditions or contingencies relating to the grants.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Staff costs

	Six months ended 30 June	
	2023	2022
	HK\$' 000	HK\$' 000
Salaries, wages and other benefits	488,739	611,170
Equity-settled share-based payment expenses	25,783	67,032
Contributions to defined contribution retirement plan	26,817	35,935
	<u>541,339</u>	<u>714,137</u>

(b) Finance costs

	Six months ended 30 June	
	2023	2022
	HK\$' 000	HK\$' 000
Interest on lease liabilities	<u>2,066</u>	<u>2,511</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

5 LOSS BEFORE TAXATION (Continued)

(c) Other items

	Six months ended 30 June	
	2023 HK\$' 000	2022 HK\$' 000
Promotion and advertising expenses	1,483,886	774,484
Channel cost	591,919	660,312
Net fair value losses/(gains) on investments	7,775	(10,070)
Amortisation		
– intangible assets	4,810	4,693
– land use rights	2,930	3,141
Depreciation charge		
– owned property, plant and equipment	28,803	24,656
– right-of-use assets	33,233	33,010
– investment properties	259	–
Impairment loss on interests in associates and joint ventures	3,859	115,522
Provision of/(reversal of) impairment loss for trade and other receivables and funds receivable	2,128	(28)
Net foreign exchange gain	(7,855)	(8,717)
Loss on disposal of property, plant and equipment	746	551

6 INCOME TAX

	Six months ended 30 June	
	2023 HK\$' 000	2022 HK\$' 000
Current tax	17,307	15,665
Deferred taxation	(4,369)	(1,450)
	<u>12,938</u>	<u>14,215</u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

IGG Singapore Pte. Ltd. is subject to the prevailing corporate tax rate of 17% in Singapore and is entitled to a concessionary tax rate on qualifying income (six months ended 30 June 2022: 17%).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX (Continued)

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, ranging from 15% to 34% (six months ended 30 June 2022: 15% to 34%).

7 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue during the interim period.

	Six months ended 30 June	
	2023	2022
Loss attributable to equity shareholders of the Company (HK\$'000)	<u>(359,798)</u>	<u>(171,771)</u>
Weighted average number of ordinary shares in issue ('000 shares)	<u>1,168,215</u>	<u>1,159,535</u>
Basic loss per share (HK\$ per share)	<u>(0.3080)</u>	<u>(0.1481)</u>

Weighted average number of ordinary shares

	Six months ended 30 June	
	2023	2022
	shares	shares
	'000	'000
Issued ordinary shares at 1 January	1,197,465	1,193,527
Effect of share award scheme	(29,585)	(36,272)
Effect of share options exercised	<u>335</u>	<u>2,280</u>
Weighted average number of ordinary shares at 30 June	<u>1,168,215</u>	<u>1,159,535</u>

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to equity shareholders of the Company and the weighted average number of ordinary shares during the interim period.

As the Group incurred loss for the six months ended 30 June 2023 and 2022, the impact of share option scheme and share award scheme (including performance-based share award scheme) was not included in the calculation of the diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the six months ended 30 June 2023 and 2022 are the same as basic losses per share.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INVESTMENT PROPERTY AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Construction in progress

As at 30 June 2023, construction in progress mainly comprised office premise under construction located in Fuzhou, China. During the six months ended 30 June 2023, the Group recognised the addition to construction in progress of HK\$52,545,000 (six months ended 30 June 2022: HK\$192,662,000).

(b) Ownership interests in buildings held for own use

The Group holds office premises as research and development offices in Chengdu, China. As at 30 June 2023, the buildings were carried at depreciated cost, with total carrying amount of HK\$130,932,000 (31 December 2022: HK\$165,223,000), and the remaining term is 24.8 years. During the six months ended 30 June 2023, the Group transferred an office premise to investment properties with a cost of HK\$28,207,000. As at 30 June 2023, the Group is in the process of applying for the property ownership certificate in respect of these office premises.

(c) Other properties leased for own use

During the six months ended 30 June 2023, the Group entered into a number of lease agreements for office premises, and recognised the addition to other properties leased for own use of HK\$52,188,000 (six months ended 30 June 2022: HK\$1,020,000). As at 30 June 2023, other properties leased for own use were carried at depreciated cost, with total carrying amount of HK\$74,673,000 (31 December 2022: HK\$56,960,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INVESTMENT PROPERTY AND OTHER PROPERTY, PLANT AND EQUIPMENT (Continued)

(d) Investment properties

	Six months ended 30 June	
	2023	2022
	HK\$' 000	HK\$' 000
Cost:		
At 1 January	–	–
Exchange adjustments	(1,221)	–
Transfer from property, plant and equipment	<u>28,207</u>	–
At 30 June	<u>26,986</u>	–
Accumulated depreciation:		
At 1 January	–	–
Exchange adjustments	36	–
Transfer from property, plant and equipment	(607)	–
Charge for the period	<u>(259)</u>	–
At 30 June	<u>(830)</u>	–
Net book value:		
At 30 June	<u>26,156</u>	–

Investment properties is an office premise that is located in Chengdu, China.

(e) Acquisitions of owned assets

During the six months ended 30 June 2023, the Group acquired items of leasehold improvements, computer equipment, motor vehicles and office equipment with a cost of HK\$2,930,000 (six months ended 30 June 2022: HK\$12,629,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

9 LAND USE RIGHTS

The land use rights mainly represent the rights of the Land for periods of 40 years in Fuzhou, China.

10 OTHER NON-CURRENT ASSETS

Other non-current assets mainly represent rental deposits.

11 INTERESTS IN ASSOCIATES AND JOINT VENTURES

(a) Interest in associates

Aggregate information of associates that are not individually material:

	At 30 June 2023 HK\$' 000	At 31 December 2022 HK\$' 000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	214,547	211,497
Aggregate amounts of the Group's shares of these associates' gains/(losses)	<u>8,068</u>	<u>(1,567)</u>
	Six months ended 30 June	
	2023 HK\$' 000	2022 HK\$' 000
At 1 January	211,497	469,301
Additions	–	6,278
Dividends	–	(741)
Share of results of associates	8,068	(8,463)
Impairment loss on interests in associates	–	(105,461)
Currency translation differences	<u>(5,018)</u>	<u>(13,952)</u>
At 30 June	<u>214,547</u>	<u>346,962</u>

Management has assessed the level of influence that the Group exercises on certain associates with the respective shareholding below 20%, with total carrying amount of HK\$153,399,000 (31 December 2022: HK\$144,782,000). Management determined that it has significant influence thereon through the board representation. Consequently, these investments have been classified as associates.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(b) Interest in joint ventures

Aggregate information of joint ventures that are not individually material:

	At 30 June 2023 HK\$' 000	At 31 December 2022 HK\$' 000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	5,783	11,396
Aggregate amounts of the Group's shares of these joint ventures' (losses)/gains	<u>(1,548)</u>	<u>4,389</u>
	Six months ended 30 June	
	2023	2022
	HK\$' 000	HK\$' 000
At 1 January	11,396	18,106
Share of results of joint ventures	(1,548)	169
Impairment loss on interests in joint ventures ¹	(3,859)	(10,061)
Currency translation differences	<u>(206)</u>	<u>(615)</u>
At 30 June	<u>5,783</u>	<u>7,599</u>

Note:

- Both external and internal sources of information of joint ventures are considered in assessing whether there is any indication that the investment may be impaired, including but not limited to financial position and business performance.

For the six months ended 30 June 2023, the Group made impairment provisions of HK\$3,859,000 (six months ended 30 June 2022: HK\$10,061,000) against the carrying amounts of joint ventures. The impairment loss was recognised in "Other net gains/(losses)" during the period.

The recoverable amount of the joint venture was nil as the joint venture had net liability and was running out of cash, which was resulted from serious deterioration of operation due to the inability to generate sufficient cash flow from financing or existing games and the inability to launch new games due to failure of research and development.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Included in current assets:		
– Treasury investments and others	78	–
Included in non-current assets:		
– Listed equity securities ¹	464	36,610
– Unquoted equity investments ²	<u>385,595</u>	<u>395,842</u>
	<u>386,137</u>	<u>432,452</u>

Notes:

- 1 Listed equity securities mainly comprised equity securities listed in the United States and Hong Kong.
- 2 Unquoted equity investments mainly comprised the following:
 - (i) an equity investment in Mfund, L.P., a private equity fund which is principally engaged in equity investments in mobile internet industry. No dividends were received on this investment for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).
 - (ii) an equity investment in Griffin Gaming Partners, L.P., a private equity fund which focuses on the investment in gaming related companies worldwide. No dividends were received on this investment for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).
 - (iii) equity investments in certain non-listed internet companies and several private equity funds which are principally engaged in investment holding of entities in the mobile internet, media, telecommunication and other innovative technologies sectors.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

13 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors, based on the invoice date and net of loss allowance, is as follows:

	At 30 June 2023 HK\$' 000	At 31 December 2022 HK\$' 000
Within 3 months	<u>59,714</u>	<u>19,300</u>
Trade receivables, net of loss allowance	59,714	19,300
Deposits	582	1,061
Other receivables	<u>55,872</u>	<u>50,266</u>
	<u><u>116,168</u></u>	<u><u>70,627</u></u>

Trade receivables were all from third-party customers. The Group's credit terms with its customers are generally one to three months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

14 FUNDS RECEIVABLE

Funds receivable represent balances due from third-party payment service providers for the cash collected from users. The Company carefully considers and monitors the creditworthiness of the third-party payment service providers.

As at 30 June 2023, all the funds receivable were aged within three months and HK\$1,050,000 of loss allowance was provided for the funds receivable (31 December 2022: HK\$274,000).

15 RESTRICTED DEPOSITS

Restricted deposits mainly represent pledged deposits under a letter of guarantee issued by China Merchants Bank Co., Ltd. Fuzhou Branch. The guarantee is in relation to the office building construction contract in Fuzhou, China and shall lapse on 13 February 2024 or upon the full payment under the letter of guarantee to the contractor pursuant to the terms therein, whichever is earlier.

16 CASH AND CASH EQUIVALENTS

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Cash at bank and on hand	1,471,717	1,573,231
Deposits with other financial institutions	<u>9,747</u>	<u>8,601</u>
Cash and cash equivalents in the condensed consolidated cash flow statement	<u><u>1,481,464</u></u>	<u><u>1,581,832</u></u>

Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control. As of the end of the reporting period, cash and cash equivalents situated in Chinese Mainland amounted to HK\$285,311,000 (31 December 2022: HK\$387,684,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

17 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2023 HK\$' 000	At 31 December 2022 HK\$' 000
Within 3 months	634,363	319,577
3 to 6 months	2,757	–
6 months to 1 year	–	1,312
Over 1 year	–	9
Total creditors	<u>637,120</u>	<u>320,898</u>
Salary and welfare payables	55,975	84,873
Other tax payables	57,467	49,042
Other payables and accruals	<u>77,970</u>	<u>83,400</u>
	<u><u>828,532</u></u>	<u><u>538,213</u></u>

The trade and other payables are non-interest-bearing and are expected to be settled within three months or repayable on demand.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

18 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	At 30 June 2023		At 31 December 2022	
	Present value of the minimum lease payments HK\$' 000	Total minimum lease payments HK\$' 000	Present value of the minimum lease payments HK\$' 000	Total minimum lease payments HK\$' 000
Within 1 year	<u>49,556</u>	<u>50,595</u>	<u>43,418</u>	<u>44,833</u>
After 1 year but within 2 years	16,442	17,637	16,078	17,032
After 2 years but within 5 years	<u>10,351</u>	<u>11,516</u>	<u>3,503</u>	<u>3,980</u>
	<u>26,793</u>	<u>29,153</u>	<u>19,581</u>	<u>21,012</u>
	<u>76,349</u>	<u>79,748</u>	<u>62,999</u>	<u>65,845</u>
Less: total future interest expenses		<u>(3,399)</u>		<u>(2,846)</u>
Present value of lease liabilities		<u>76,349</u>		<u>62,999</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

19 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

No dividends were paid, declared or proposed during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil). The Board does not recommend the payment of any interim dividend for the period ended 30 June 2023.

(b) Share capital and reserves

As at 30 June 2023 and 31 December 2022, the authorised share capital of the Company comprises 2,000,000,000 ordinary shares with par value of US\$0.0000025 per share.

A summary of the transactions during the period in the Company's issued share capital is as follows:

	Number of shares issued and fully paid [^]	Issued capital HK\$' 000	Share premium HK\$' 000	Shares held for share award scheme HK\$' 000
At 1 January 2023	1,197,464,599	23	6,571	(232,751)
Vesting of awarded shares	–	–	1,587	24,704
Share options exercised (note 20)	542,000	–*	836	–
Shares purchased for the share award scheme	–	–	–	(1,950)
At 30 June 2023	<u>1,198,006,599</u>	<u>23</u>	<u>8,994</u>	<u>(209,997)</u>
At 1 January 2022	1,193,526,599	23	–	(301,661)
Vesting of awarded shares	–	–	5,878	20,589
Share options exercised (note 20)	3,638,000	–*	3,609	–
At 30 June 2022	<u>1,197,164,599</u>	<u>23</u>	<u>9,487</u>	<u>(281,072)</u>

* These amounts represent amounts less than HK\$1,000.

[^] As at 30 June 2023, the total number of issued ordinary shares of the Company included 27,269,401 shares (31 December 2022: 29,777,032 shares) held under the share award scheme. And as at 30 June 2023, there were no shares of the Company held for cancellation (31 December 2022: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

19 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, repurchase the Company's own shares or issue new shares. No change was made in the objectives, policies or processes for managing capital during the reporting period.

The Group monitors capital by regularly reviewing the gearing ratio, which is total liabilities, divided by total assets. Capital represents total equity shown in the consolidated statement of financial position.

The Group's gearing ratio at the end of the current and previous reporting periods was as follows:

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Total current liabilities	1,201,789	899,919
Total non-current liabilities	<u>29,893</u>	<u>24,351</u>
	<u>1,231,682</u>	<u>924,270</u>
Total current assets	2,040,797	2,046,766
Total non-current assets	<u>1,522,293</u>	<u>1,589,371</u>
	<u>3,563,090</u>	<u>3,636,137</u>
Gearing ratio	<u>34.6%</u>	<u>25.4%</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

20 SHARE-BASED PAYMENTS

Pre-IPO Share Option Scheme

The Company adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) on 12 November 2008 and amended it on 16 September 2013 by the written resolution of all shareholders, and the Pre-IPO Share Option Scheme has expired on 29 October 2022.

The following share options were outstanding and exercisable under the Pre-IPO Share Option Scheme during the period:

	<u>Six months ended 30 June 2023</u>		<u>Six months ended 30 June 2022</u>	
	Weighted average exercise price US\$	Number of options	Weighted average exercise price US\$	Number of options
Outstanding at the beginning of the period	0.0865	512,000	0.0865	4,570,000
Exercised during the period	0.0865	(512,000)	0.0865	(3,638,000)
Lapsed/forfeited during the period	–	–	0.0865	(120,000)
Outstanding at the end of the period	–	–	0.0865	812,000
Exercisable at the end of the period	–	–	0.0865	812,000

There were no Pre-IPO share options outstanding as at 30 June 2023, and the Pre-IPO share options outstanding had a weighted average remaining contractual life of 0.25 years as at 31 December 2022. For Pre-IPO share options, the weighted average closing price of the Company’s shares at the date share options were exercised during the period was HK\$3.07 (six months ended 30 June 2022: HK\$4.14).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

20 SHARE-BASED PAYMENTS (Continued)

Share Option Scheme

The Company adopted a share option scheme (the “Share Option Scheme”), approved by the written resolution of all shareholders passed on 16 September 2013. Following the amendments to the Listing Rules relating to Share Schemes of Listed Issuers, the Company terminated the Share Option Scheme, approved by way of an ordinary resolution of the annual general meeting of the Company held on 29 June 2023. In such event, no further options will be offered but the provision of the Share Option Scheme would remain in force and effect in all other respects. All options granted under the Share Option Scheme prior to such termination and not then exercised would continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

The following share options were outstanding and exercisable under the Share Option Scheme during the period:

	<u>Six months ended 30 June 2023</u>		<u>Six months ended 30 June 2022</u>	
	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$	Number of options
Outstanding at the beginning of the period	4.11	4,765,000	4.13	4,801,000
Exercised during the period	4.91	(30,000)	–	–
Forfeited/Lapsed during the period	5.47	(100,000)	–	–
Outstanding at the end of the period	4.08	<u>4,635,000</u>	4.13	<u>4,801,000</u>
Exercisable at the end of the period	4.03	<u>4,448,000</u>	4.01	<u>4,409,000</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

20 SHARE-BASED PAYMENTS (Continued)

Share Option Scheme (Continued)

The exercise prices and option periods of the share options outstanding as at the end of the reporting period are as follows:

At 30 June 2023	Exercise price	Grant date	Expiry date
Number of options	per share HK\$		
442,000	3.51	21 November 2014	20 November 2024
3,511,000	3.90	23 March 2015	22 March 2025
370,000	5.75	19 August 2019	18 August 2029
312,000	4.91	6 May 2020	5 May 2030
<u>4,635,000</u>			

The share options granted under the Share Option Scheme outstanding as at the end of the reporting period will vest in anniversary of grant date with each of 25% being vested annually. As at 30 June 2023, 187,000 share options have not been vested and were not exercisable.

As at 30 June 2023, the share options under the Share Option Scheme outstanding had a weighted average remaining contractual life of 1.99 years (31 December 2022: 2.46 years). For share options under the Share Option Scheme, the weighted average closing price of the Company's shares at the date share options were exercised during the period was HK\$6.10 (six months ended 30 June 2022: Nil).

Share options exercised under Pre-IPO Share Option Scheme and Share Option Scheme during the six months ended 30 June 2023 resulted in the issuance of 542,000 (six months ended 30 June 2022: 3,638,000) ordinary shares of the Company and share premium of HK\$836,000 (six months ended 30 June 2022: HK\$3,609,000), as further detailed in Note 19 to the financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

20 SHARE-BASED PAYMENTS (Continued)

Share Award Scheme

The share award scheme of the Company was adopted by the Board on 24 December 2013 and amended on 19 August 2021 and 28 March 2023 (effective date: 28 June 2023). The purpose of the share award scheme is to recognise the contributions by certain selected grantees and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

Movements in the number of shares held for the share award scheme and awarded shares for the six months ended 30 June 2023 are as follows:

	Number of shares held for the share award scheme not yet granted	Number of awarded shares granted but not yet vested	Total
At 1 January 2023	16,221,892	13,555,140	29,777,032
Purchased	649,000	–	649,000
Granted	(474,354)	474,354	–
Forfeited/Lapsed	851,355	(851,355)	–
Vested	–	(3,156,631)	(3,156,631)
At 30 June 2023	<u>17,247,893</u>	<u>10,021,508</u>	<u>27,269,401</u>
Vested but not transferred as at 30 June 2023			<u>1,492,500</u>

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

The fair values of awarded shares granted on 7 April 2023 and 24 May 2023 were HK\$4.35 and HK\$4.25 respectively. The weighted average fair value of awarded shares granted during the six months ended 30 June 2023 was HK\$4.35 per share.

On 7 April 2023, the Group granted a total of 464,354 awarded shares, among which 126,000 awarded shares will vest in anniversary of grant date with each of 50% being vested annually.

On 24 May 2023, the Group granted a total of 10,000 awarded shares, which will vest in anniversary of grant date with each of 50% being vested annually.

The remaining awarded shares granted during the six months ended 30 June 2023 and outstanding as at the period then ended will vest in anniversary of grant date with each of 25% being vested annually. The consideration paid by the Company, including any directly attributable incremental costs, is deducted from the Group's equity.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

20 SHARE-BASED PAYMENTS (Continued)

Performance-based Share Award Scheme

The Company adopted a performance-based share award scheme on 21 May 2021, and the scheme was approved by the resolution of shareholders passed on 20 July 2021. The purpose of the performance-based share award scheme is to recognise the contributions by certain eligible persons.

Under the performance-based share award scheme, the Company grants up to 71,635,355 performance-based awarded shares to the grantees. The award shares will vest, in whole or in part, after 8.5 months to 56.5 months from the grant date, on condition that certain market performance criteria is met. The actual number of awarded shares to be vested to the grantees varies based on the growth rate of share price of the Company.

Movements in the number of awarded shares for the six months ended 30 June 2023 are as follows:

	Number of awarded shares granted but not yet vested
At 1 January 2023	57,308,281
Forfeited/Lapsed	<u>(14,327,072)</u>
At 30 June 2023	<u><u>42,981,209</u></u>

As at 30 June 2023, there were no shares of the Company held for the performance-based share award scheme (31 December 2022: Nil).

Share Incentive Scheme

The Company adopted a share incentive scheme (the "Share Incentive Scheme"), approved by way of an ordinary resolution of the annual general meeting of the Company held on 29 June 2023.

As at 30 June 2023, there were no shares granted under the Share Incentive Scheme.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

	Fair value at 30 June 2023 HK\$' 000	Fair value measurements as at 30 June 2023 categorised into	
		Level 1 HK\$' 000	Level 3 HK\$' 000
Recurring fair value measurement			
<i>Assets:</i>			
Treasury investments and others	78	78	–
Listed equity securities	464	464	–
Unquoted equity securities	385,595	–	385,595

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

(i) Fair value hierarchy (Continued)

	Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into	
		Level 1	Level 3
	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurement			
<i>Assets:</i>			
Listed equity securities	36,610	36,610	–
Unquoted equity securities	395,842	–	395,842

During the six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2022: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

The Group's financial team performs valuation on level 3 financial instruments for financial reporting purpose. The team performs valuation, or necessary updates at each interim and annual reporting date. The team adopts various valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts may also be involved and consulted when it is necessary.

Unquoted equity securities mainly represented investments in certain private equity funds and non-listed internet companies. The fair value of these private equity funds was mainly determined using the latest available financial information. The latest available financial information was adjusted by unobservable inputs such as the latest round financing of the funds' underlying investments, when applicable. The higher the price of the latest round financing for these underlying investments, the higher the fair value of the private equity funds would be.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

(ii) Information about Level 3 fair value measurements (Continued)

And the fair value of non-listed internet companies was mainly determined using a market-based valuation model or the latest available financial information. The market-based valuation model requires the Group to determine comparable public companies based on industry, size, leverage and strategy, and to calculate enterprise value to revenue (“EV/Revenue”) multiple for each comparable company identified. And the equity value of non-listed investments is calculated based on the multiple, revenue, surplus assets and surplus liability of non-listed investments and the discount for lack of marketability. The discount is used for considerations such as illiquidity between the comparable companies based on company-specific facts and circumstances. Below is a summary of quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Market-based valuation multiple	EV/Revenue multiple of comparable companies	30 June 2023: 5.9 (31 December 2022: 5.9)	30 June 2023: 5% increase/decrease in multiple would result in increase/decrease in fair value by HK\$2,172,000/HK\$2,172,000 (31 December 2022: 5% increase/decrease in multiple would result in increase/decrease in fair value by HK\$2,089,000/HK\$2,089,000)
	Discount for lack of marketability (“DLOM”)	30 June 2023: 25% (31 December 2022: 25%)	30 June 2023: 5% increase/decrease in DLOM would result in decrease/increase in fair value by HK\$991,000/HK\$991,000 (31 December 2022: 5% increase/decrease in DLOM would result in decrease/increase in fair value by HK\$1,002,000/HK\$1,003,000)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

(ii) Information about Level 3 fair value measurements (Continued)

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	Six months ended 30 June	
	2023	2022
	HK\$' 000	HK\$' 000
Unquoted equity securities:		
At 1 January	395,842	529,475
Additional investments acquired	–	23,883
Net unrealised (losses)/gains recognised in profit or loss during the period	(7,730)	13,782
Exchange adjustments	(2,517)	(8,464)
At 30 June	<u>385,595</u>	<u>558,676</u>
Total (losses)/gains for the period included in profit or loss for assets held at the end of the reporting period	<u>(7,730)</u>	<u>13,782</u>

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

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2022 and 30 June 2023.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

22 COMMITMENTS

Capital commitments outstanding at 30 June 2023 not provided for in the interim financial report were as follows:

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Contracted for:		
Construction of self-use office building	245,847	373,017
Acquisition of self-use office premises	–	13,521
Renovations and design	–	12,102
Investment contracts	<u>3,762</u>	<u>3,742</u>
	<u>249,609</u>	<u>402,382</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

23 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 June	
	2023	2022
	HK\$' 000	HK\$' 000
Short-term employee benefits	9,072	9,084
Equity-settled share-based payment	<u>11,760</u>	<u>27,448</u>
	<u>20,832</u>	<u>36,532</u>

Total remuneration is included in “staff costs” (see note 5(a)).

(b) Other transactions with related parties

For the six months ended 30 June 2023, the Group did not have any material transactions or outstanding balances with related parties.

For the six months ended 30 June 2022, certain associates and joint ventures of the Group provided outsourcing game development services to the Group, and the service fee recognised was HK\$5,568,000.

DEFINITION

“2023 AGM”	the annual general meeting of the Company held on 29 June 2023
“Board” or “Board of Directors”	the board of Directors of the Company
“Business Day(s)”	a day on which banks in Hong Kong and the Cayman Islands are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong or the Cayman Islands
“BVI”	British Virgin Islands
“Chengdu Tianyong”	Chengdu Tianyong Digital Technology Co., Ltd.* (成都天勇數碼科技有限公司), a limited liability company established under the laws of the PRC on 19 January 2021, a wholly-owned subsidiary of the Company
“China” or “PRC”	the People’s Republic of China, for the purpose of this interim report, excluding Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Company”	IGG Inc, an exempted company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules
“Corporate Governance Code”	corporate governance code contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Duke Online”	Duke Online Holdings Limited, an exempted company incorporated under the laws of the BVI on 10 September 2007 with limited liability, the entire issued share capital of which is owned by Mr. Zongjian Cai
“Edmond Online”	Edmond Online Holdings Limited, an exempted company incorporated under the laws of the BVI on 10 September 2007 with limited liability, the entire issued share capital of which is owned by Mr. Yuan Chi
“Founders”	Mr. Zongjian Cai (蔡宗建) and Mr. Yuan Chi (池元)

* For identification purpose only

DEFINITION

“Fuzhou Tianji”	Fuzhou TJ Digital Entertainment Co., Ltd.* (福州天極數碼有限公司), a limited liability company established under the laws of the PRC on 15 November 2007, a wholly-owned subsidiary of the Company
“Fuzhou Tianmeng”	Fuzhou Skyunion Digital Co., Ltd* (福州天盟數碼有限公司), a limited liability company established under the laws of the PRC on 12 December 2006, which is owned as to 50% by Mr. Deyang Zheng and 50% by Mr. Chengfeng Luo, respectively
“Fuzhou Tianmeng Registered Holders”	Mr. Deyang Zheng (鄭德陽) and Mr. Chengfeng Luo (羅承鋒)
“Fuzhou Tianmeng Structured Contracts”	a series of contracts which include the New Call Option Agreement, the New Exclusive Technical Consulting Service Agreement, the New Equity Pledge Agreement, the New Power of Attorney, the New Online Game Licensing Agreement and the Spouse Undertakings
“Fuzhou Tianping”	Fuzhou Tianping Digital Technology Co., Ltd.* (福州天平數碼科技有限公司), a limited liability company established under the laws of the PRC on 21 February 2020, a wholly-owned subsidiary of the Company
“Group,” “IGG,” “we,” “our” or “us”	the Company and its subsidiaries
“Hainan Tianzhi”	Hainan Tianzhi Network Technology Co., Ltd* (海南天志網絡科技有限公司), a limited liability company established under the laws of the PRC on 28 August 2020, a wholly-owned subsidiary of the Company
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“ICP License”	a value-added telecommunications business operation license with a service scope of information services of category 2 value-added telecommunication services
“IGG Singapore”	IGG Singapore Pte. Ltd., a company incorporated under the laws of Singapore on 30 June 2009, a wholly-owned subsidiary of the Company

* For identification purpose only

DEFINITION

“Independent Third Party(ies)”	individual(s) or company(ies) who is/are not connected with (within the meaning of the Listing Rules) any of the Company, Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
“Land”	a piece of land located at eastern side of Fuguang Road, southern side of Hutang Road, old housing reconstruction project land lot no. 2 at Hutang Village and surrounding area, Jin’an District, Fuzhou, the PRC (Land Lot No. 2020-44 (2020-44號)), with a total site area of approximately 8,910 square metres, designated for business and commercial use with a term of land use rights of 40 years, the land use rights of which were acquired by Fuzhou Tianping pursuant to the State-owned Construction Land Use Rights Assignment Contract (國有建設用地使用權出讓合同) entered into between Fuzhou Tianping and Fuzhou Natural Resources and Planning Bureau on 15 September 2020
“Listing”	the listing of the Shares on the GEM of the Stock Exchange
“Listing Date”	18 October 2013, on which dealings in Shares first commenced on the GEM of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“MAU”	monthly active users
“Model Code”	the required standard of dealings for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules
“Performance-based Awarded Shares”	such number of Shares awarded by the Board pursuant to the Performance-based Share Award Scheme
“Performance-based Share Award Scheme”	the performance-based share award scheme adopted by the Company on 21 May 2021, the principal terms of which are summarised in the announcement and circular of the Company dated 21 May 2021 and 28 June 2021, respectively
“Period”	the six months ended 30 June 2023
“Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company on 12 November 2008, amended by written resolutions of all Shareholders passed on 16 September 2013 and expired on 29 October 2022, the principal terms of which are summarised in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix IV to the Prospectus

DEFINITION

“Previous Structured Contracts”	a series of contracts (as supplemented) which include the Call Option Agreement, the Exclusive Technical Consulting Service Agreement, the Equity Pledge Agreement, the Power of Attorney and the Online Game Licensing Agreement
“Prospectus”	the prospectus of the Company dated 11 October 2013
“R&D”	research and development
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“SGD”	Singapore dollar, the lawful currency of Singapore
“Share(s)”	the ordinary share(s) of US\$0.0000025 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 24 December 2013 and amended on 19 August 2021 and 28 March 2023 (effective date: 28 June 2023), the principal terms of which are summarised in the announcements of the Company dated 24 December 2013, 19 August 2021 and 28 March 2023
“Share Incentive Scheme”	the share incentive scheme adopted by the Company on 29 June 2023, the principal terms of which are summarised in the circular of the Company dated 28 April 2023
“Share Option Scheme”	the share option scheme adopted by the Company on 16 September 2013 and subsequently terminated with effect from 29 June 2023, the principal terms of which are summarised under the paragraph headed “Share Option Scheme” in Appendix IV to the Prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	the Fuzhou Tianmeng Structured Contracts and the Xinhan Liaokuo Structured Contracts

DEFINITION

“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Xinhan Liaokuo”	Hainan Xinhan Liaokuo Network Technology Co., Ltd.* (海南新瀚遼闊網絡科技有限公司), a limited liability company established under the laws of the PRC on 29 September 2020, which is owned as to 50% by Mr. Deyang Zheng and 50% by Mr. Chengfeng Luo, respectively
“Xinhan Liaokuo Registered Holders”	Mr. Deyang Zheng (鄭德陽) and Mr. Chengfeng Luo (羅承鋒)
“Xinhan Liaokuo Structured Contracts”	a series of contracts which include the Xinhan Liaokuo Call Option Agreement, the Xinhan Liaokuo Exclusive Technical Consulting Service Agreement, the Xinhan Liaokuo Equity Pledge Agreement, the Second Power of Attorney, the Xinhan Liaokuo Online Game Licensing Agreement and the Second Spouse Undertakings
“US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent

If there is any inconsistency between the English and Chinese texts of this report, the English text of this report shall prevail over the Chinese text.

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