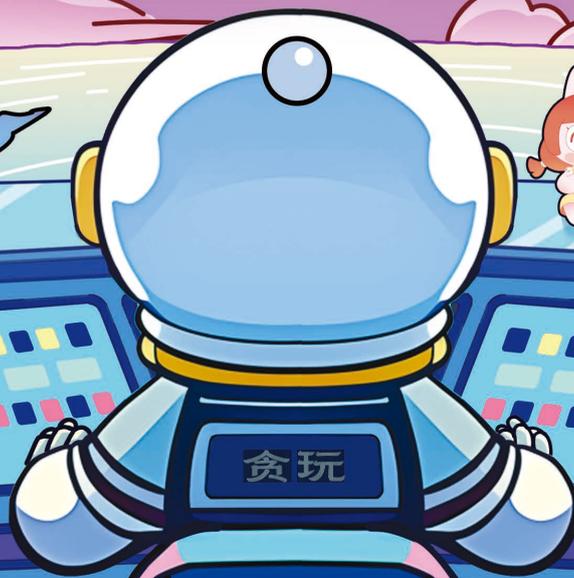


INTERIM 2024 REPORT

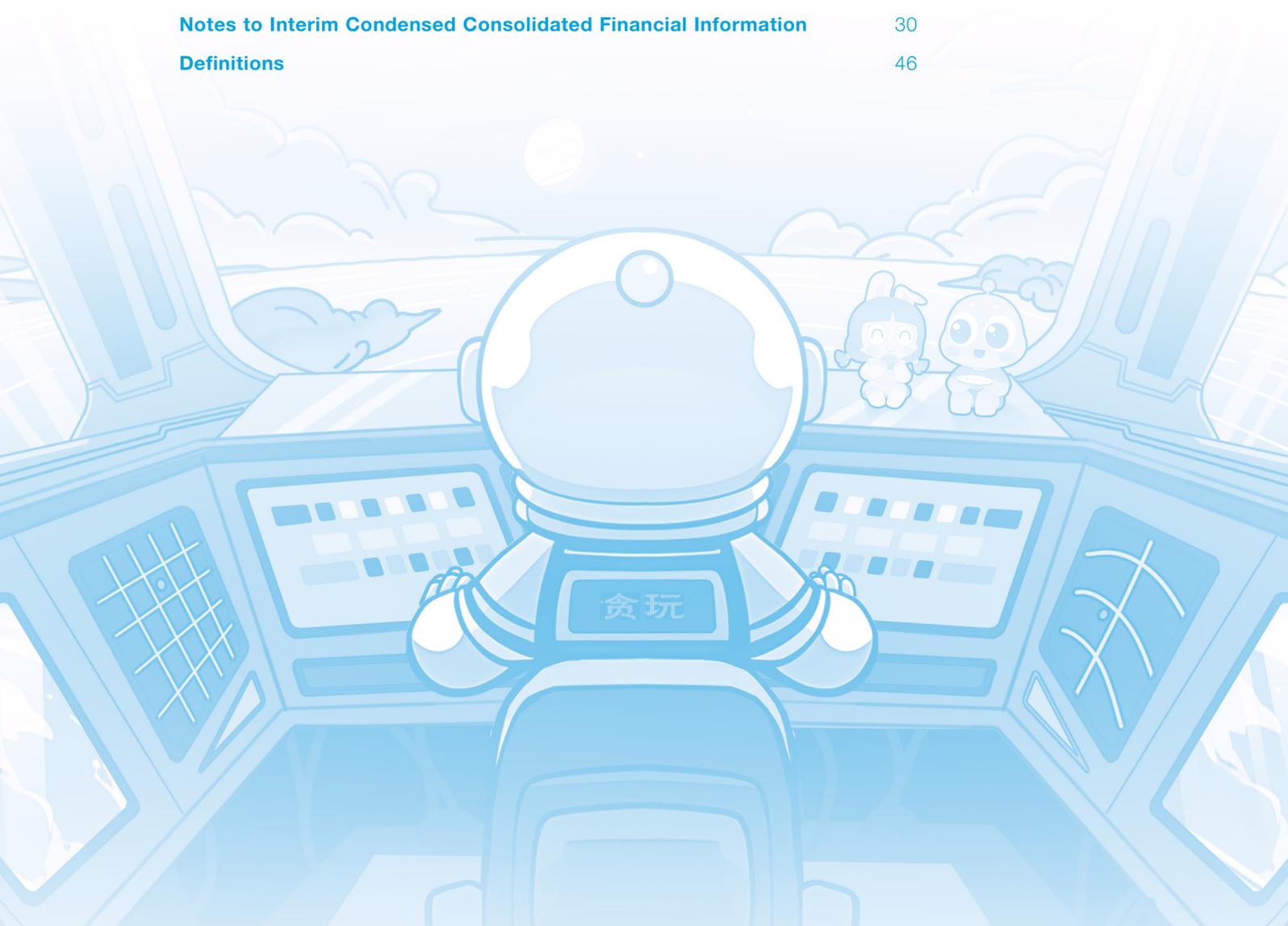


ZX Inc. 中旭未来
Stock Code: 9890

(Incorporated in the Cayman Islands with limited liability)

Contents

Corporate Information	2
Letter to Shareholders	3
Key Highlights	5
Management Discussion and Analysis	6
Other Information	14
Independent Review Report	22
Interim Condensed Consolidated Statement of Profit or Loss	23
Interim Condensed Consolidated Statement of Comprehensive Income	24
Interim Condensed Consolidated Statement of Financial Position	25
Interim Condensed Consolidated Statement of Changes in Equity	27
Interim Condensed Consolidated Statement of Cash Flows	28
Notes to Interim Condensed Consolidated Financial Information	30
Definitions	46



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WU Xubo (*Chairman*)

Ms. WU Xuan (*Chief Operating Officer*)

Independent Non-executive Directors

Ms. SONG Siyun

Mr. QIN Yongde

Ms. ZHENG Yi

AUDIT COMMITTEE

Ms. ZHENG Yi (*Chairlady*)

Ms. SONG Siyun

Mr. QIN Yongde

REMUNERATION COMMITTEE

Ms. SONG Siyun (*Chairlady*)

Mr. WU Xubo

Ms. ZHENG Yi

NOMINATION COMMITTEE

Mr. WU Xubo (*Chairman*)

Ms. SONG Siyun

Ms. ZHENG Yi

CHIEF EXECUTIVE OFFICER

Ms. LIANG Wenhong (*since August 30, 2024*)*

Mr. WU Xubo (*until August 30, 2024*)*

COMPANY SECRETARY

Ms. TSANG Wing Man (*FCG, HKFCG*)

COMPLIANCE ADVISER

Somerley Capital Limited

20/F, China Building

29 Queen's Road Central

Hong Kong

AUTHORIZED REPRESENTATIVES

Mr. WU Xubo

Ms. TSANG Wing Man

AUDITOR

Ernst & Young

Certified Public Accountant and

Registered Public Interest Entity Auditor

27/F, One Taikoo Place

979 King's Road

Quarry Bay, Hong Kong

HONG KONG LEGAL ADVISER

Kirkland & Ellis

26/F, Gloucester Tower

The Landmark

15 Queen's Road Central

Hong Kong

REGISTERED OFFICE

190 Elgin Avenue

George Town

Grand Cayman KY1-9008

Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PRC

Floors 41, 62 to 66, Canton Financial Center

("CFC Huijin Center")

656 Huangpu Avenue

Tianhe District, Guangzhou

Guangdong

The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre

248 Queen's Road East

Wanchai

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited

190 Elgin Avenue

George Town

Grand Cayman KY1-9008

Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

INVESTOR RELATIONS

Email: ir@zx.com

COMPANY'S WEBSITE

<https://www.zx.com/>

STOCK CODE

9890

Note: For the purpose of achieving better corporate governance of the Company, with effect from August 30, 2024, Mr. WU Xubo ceased to be the chief executive officer of the Company with Ms. LIANG Wenhong being appointed to succeed his position. Please refer to the Company's announcement dated August 30, 2024 for further details.

Dear Shareholders:

Greetings! Time flies, and in a blink of an eye, the “Tan Wan” brand (貪玩遊戲) has gone through nine years, and ZX Inc. has also celebrated the anniversary of its listing on the Hong Kong Stock Exchange. On behalf of the Board of Directors and the management of the Company, I would like to extend my sincerest gratitude to our Shareholders and partners who have given us their unwavering support over the long term, as well as to all the employees who have weathered the storms together with us!

Looking back, our original intention remains unchanged. Our mission is to “get back to the fun-loving you of your youth.” As we all know, “Tan Wan” brand has won high recognition from players and the industry for its outstanding performance in promoting and operating the “Legend” (傳奇) series of games. “Inheritance and innovation” is our unchanging business philosophy, while “precision marketing and in-depth operation” are the important genes that enable us to pass on our business.

Based on the present, we continue to explore and cultivate in our field meticulously. In the past six months, we have focused more on the innovative development of mobile games. In terms of product promotion, in addition to continuing to deepen the “Legend” series of role-playing games, we have also introduced a number of well-known domestic and international IPs, ventured into new tracks such as simulation game, and developed original mini-programme games to build a diversified product matrix. Since 2024, we have launched blockbuster games such as “Soul Land: Shrek Academy” (《鬥羅大陸：史萊克學院》) and “Beast Lord: The New Land” (《野獸領主：新世界》), which quickly topped the major charts upon launch and were well received by players. In the second half of the year, we will orderly promote the new game “Soul Land: Legend of Evil Slayer” (《鬥羅大陸：誅邪傳說》) of the “Soul Land” series, the new game “Tiger Guardian God of War” (《虎衛戰神》) of the “Legend” series, and the mini-programme game “Tiny Troopers” (《小兵大作戰》). We look forward to achieving brilliant results again in the second half of the year.

We are not only cultivating the domestic market, but also expanding our vision to the world. We have continuously enriched and optimized our overseas product matrix, and have successfully released and operated dozens of over 30 multilingual games in multiple overseas markets, with dozens more in reserve, achieving a leap both in cultural output and commercial expansion.

As a forward-looking gaming company, we have continued to deepen our digitization and intelligence capabilities in recent years. In 2024, on the basis of our existing intelligent end-user engagement system “Luoshu System” (洛書系統) and business intelligence analytics engine “Hetu System” (河圖系統), we have developed the “X” intelligent marketing platform and set up a wholly-owned subsidiary in Hong Kong that focuses on the application and development of AI technology in the gaming industry.

Looking ahead, we will continue to uphold the concept of “technology is the primary productive force, talent is the primary resource, and innovation is the primary driving force”, and continue to explore the road of technological innovation. While maintaining the advantages of the trinity of “precision marketing + in-depth operation + brand development”, we are implementing the strategy of “research and operation integration” in an orderly manner through diversified R&D methods such as “self-research + cooperation + investment”.

In addition, I am delighted that Ms. LIANG Wenhong took over as the chief executive officer of the Company. I will continue to hold the positions of chairman of the Board and executive Director of the Company. This appointment was the result of long observation and careful consideration of the Nomination Committee, as well as a rigorous and comprehensive selection process, which was unanimously agreed by all Directors. Ms. LIANG Wenhong has demonstrated outstanding leadership and excellent management skills in her performance over the past nine years, and I firmly believe that under her leadership, ZX Inc. will continue its brilliant development and bring higher value to our Shareholders.

Letter to Shareholders

“The glorious past has already made history, the splendid present is extending, and the bright future has to be explored in a practical manner.” Together with Ms. LIANG Wenhong, all members of the Board and the senior management of the Company, I will work hand in hand to lead the team to continue to move forward and write a new chapter.

Once again, I would like to appreciate our Shareholders for their continued support and trust, and we look forward to witnessing the future glory of ZX Inc. together with you.

WU Xubo

Chairman of the Board

FINANCIAL SUMMARY

Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30

	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue	3,225,776	3,400,091
Gross profit	2,364,169	2,294,078
(Loss)/profit before tax	(416,350)	442,654
(Loss)/profit for the period	(384,953)	300,261

Condensed Consolidated Statement of Financial Position

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Non-current assets	2,535,951	3,204,232
Current assets	3,709,947	4,063,978
Non-current liabilities	147,213	156,228
Current liabilities	4,196,424	4,836,197
Total Equity	1,902,261	2,275,785

Management Discussion and Analysis

INDUSTRY OVERVIEW

According to the China Gaming Industry Report for January to June 2024 (《2024年1–6月中國遊戲產業報告》) jointly issued by the Game Publishing Committee of China Audio-video and Digital Publishing Association (中國音數協遊戲工委) and China Game Industry Research Institute (中國遊戲產業研究院), from January to June 2024, China's game market and game user scale maintained a stable growth: actual sales revenue from the domestic game market was RMB147.267 billion, representing a year-on-year increase of 2.08%; the number of game users was 674 million, representing a year-on-year increase of 0.88%.

BUSINESS REVIEW

During the six months ended June 30, 2024, we successfully launched 29 new games. As of June 30, 2024, we had operated more than 380 game products, and the game products we marketed and operated had an aggregate of 603.2 million registered users.

For the six months ended June 30, 2024, we marketed and operated game products with an average of 10.2 million monthly active users (MAUs), an average of 1.1 million monthly paying users (MPUs) and an average monthly revenue per paying user (ARPPU) of RMB476.8 for all of the game products we marketed and operated.

Continuous Precision Marketing and Refined In-Depth Operations

Precision digital marketing, in-depth operations, and brand development are our three core competitivenesses. From the “Legend” (《傳奇》) series to the “Soul Land” (《鬥羅大陸》) series, we use precision digital marketing to make our games stand out among a massive number of products and rapidly reach our target game users. Through continuous in-depth operations, we manage and optimize the entire game lifecycle to create a succession of evergreen games. Additionally, we integrate brand development initiatives to empower our games to reach a wider group of audience.

Laying Out New Product Tracks and Creating a Diversified Gaming Product Matrix

In January 2024, we jointly released “Soul Land: Shrek Academy” (《鬥羅大陸：史萊克學院》) with CMGE Technology Group Limited (中手遊科技集團有限公司), a company listed on the Stock Exchange (stock code: 0302). As the first open-world team battle massive multiplayer online mobile game operated by our Group, the game topped the iOS Free App List and TapTap's Hot Game List on its first day of release. We leveraged celebrity endorsements to empower the long-term operation of the game.

In June 2024, we launched the blockbuster online mobile simulation game (“SLG”) “Beast Lord: New World” (《野獸領主：新世界》), which topped the iOS Free Game List and other lists upon its launch. The game is also the first online mobile exploration SLG featured with real animals themes in the Chinese Mainland, which is a new breakthrough for us to layout the multi-category game tracks and create a diversified game product matrix.

Deepening Collaboration on Arithmetic Power Layout and Strengthening Cloud Synergy

The Group renewed its strategic collaboration agreements with renowned cloud computing service providers such as Tencent Cloud Computing (Beijing) Co., Ltd. (騰訊雲計算(北京)有限責任公司), Alibaba Cloud Computing Co., Ltd. (阿里雲計算有限公司), Huawei Cloud Co., Ltd. (華為雲計算技術有限公司) and Beijing Volcano Engine Technology Co., Ltd. (北京火山引擎科技有限責任公司). Leveraging the globalization node layout and internationally leading algorithm technology accumulation provided by these service providers, we aim to accelerate our Group's digital intelligence transformation in areas such as game R&D, operational efficiency improvement, and artificial intelligence applications.

Management Discussion and Analysis

The Group also established in-depth cooperation with Huawei Technologies Co., Ltd. (華為技術有限公司) and joined its HarmonyOS ecosystem to explore collaborative opportunities in the game industry, expanding HarmonyOS system as a new platform for multiple games and bringing users a cross-platform interconnected game experience.

Understanding Diversified Cultures and Advancing the Pace of Globalization Strategy

The Group not only focuses on refined cultivation in the domestic market, but also adopts a global perspective. As of June 30, 2024, the Group had released and operated over 30 multilingual games in international markets such as Hong Kong, Macau, Taiwan, Europe, America, Japan, South Korea, and Southeast Asia, with dozens of games in reserve, achieving a leap both in cultural output and commercial expansion. The Group will continue to develop a diversified product matrix, actively promote the R&D progress of new games such as “Code 20” (《代號20》) and “Code HB” (《代號HB》), and strive to accelerate the launch process.

Laying Out AI Industry and Developing a Digital Intelligence Product Matrix

In 2024, we launched our artificial intelligence (“AI”) big model assistance system — the “X” intelligent marketing platform, which is technically supported by AI technology to predict industry trends, improve advertising accuracy, and meet the needs in the game advertising and marketing field. We have also established a wholly-owned subsidiary, Hong Kong Yuanda Future Limited (香港遠達未來有限公司) in Hong Kong, which mainly engaged in the application and development of AI technology in the game industry. It is also committed to integrating AI technology into in-game art production, creative copywriting, video generation, intelligent assistance, collaborative work and other areas of operations, and is dedicated to applying AI algorithms and AI-generated content technology to optimize game operation and promotion, eventually creating new gameplay and fresh experiences for players.

OUTLOOK

The Group is actively preparing launches of a number of new blockbuster games, covering diversified themes and genres, which will help the Group expand its user base and meet the diversified needs of the market. Among them, the game “Tiny Troopers” (《小兵大作戰》) has started public testing, and “Wandering Five Thousand Years” (《漫遊五千年》) and the major IP SLG “Soul Land: Legend of Evil Slayer” (《鬥羅大陸：誅邪傳說》) have opened pre-orders.

Affected by factors such as the downturn of the overall macroeconomy, the gradual reduction of the benefits brought by the growth of game users, and the intensified competition for existing market shares, the game industry is facing great pressure. The Group will actively deploy in terms of growth strategies and operations to overcome difficulties.

On the strategy side, the Group will continue to implement the development strategy of precision marketing and in-depth operation, develop a digitalized and intelligent-enabled multi-category product matrix, systematically advance the “research and operation integration” strategy, and continuously progress the global development layout.

On the business operations side, the Group will continue to operate medium to heavy-weight app games with high operational difficulty and strategic importance, and actively seek to expand the market for light and casual small games through a diversified approach simultaneously.

Management Discussion and Analysis

FINANCIAL DISCUSSION AND ANALYSIS

Revenue

Our revenue is generated primarily from (i) marketing and operating online games developed by game developers and marketing online literature products and video clips developed by content creators; and (ii) our consumer product business, primarily including sales of our private-label and local-flavor rice noodle products and other fast consumer foods under the brand “Zha Zha Hui” (渣渣灰).

The following table sets forth a breakdown of our revenue both in absolute amount and as a percentage of our total revenue for the period indicated:

	For the Six Months Ended June 30			
	2024		2023	
	(RMB'000)	%	(RMB'000)	%
	(Unaudited)		(Unaudited)	
Online Game Publishing Business and Other Marketing Business				
Game products operated under the self-run model	2,481,575	77.0%	2,118,937	62.3%
Game products operated under the joint-run model	668,542	20.7%	1,105,104	32.5%
Others	19,254	0.6%	49,251	1.4%
Subtotal	3,169,371	98.3%	3,273,292	96.2%
Consumer Product Business	56,405	1.7%	126,799	3.8%
Total	3,225,776	100.0%	3,400,091	100.0%

The Group's revenue for the six months ended June 30, 2024 was RMB3,225.8 million, a slight decrease of 5.1% compared to RMB3,400.1 million in the same period of 2023, maintaining a relatively stable performance overall. The decrease was mainly due to a decrease of RMB436.6 million in revenue from game products operated under the joint-run model, partially offset by an increase of RMB362.6 million in revenue from game products operated under the self-run model.

Online Game Publishing Business and Other Marketing Business

For the six months ended June 30, 2024, revenue generated from the game products we market and operate under the self-run model was RMB2,481.6 million, representing an increase of 17.1% compared to RMB2,118.9 million in the same period of 2023. The increase was mainly due to (i) the popularity of our newly launched games under the self-run model including “Soul Land: Shrek Academy” (《門羅大陸：史萊克學院》) and “Beast Lord: The New Land” (《野獸領主：新世界》) in 2024, contributing substantially to our revenue; and (ii) an increase in revenue from certain existing game products under the self-run model. For the six months ended June 30, 2024, revenue generated from the game products we market and operate under the joint-run model was RMB668.5 million, a decrease of 39.5% compared to RMB1,105.1 million in the same period of 2023. The decrease was mainly because (i) certain existing game products entered into a later stage of their lifecycle, which led to a decrease in revenue generated under the joint-run model; and (ii) the new blockbuster games launched during the first half of 2024 mainly used self-run model for end-user acquisition, resulting in a decrease in revenue under the joint-run model.

Management Discussion and Analysis

Revenue generated from other marketing business, primarily revenue from marketing online literature products and video clips, decreased significantly by 60.9% from RMB49.3 million for the six months ended June 30, 2023 to RMB19.3 million for the six months ended June 30, 2024, which was mainly due to the Group's strategic focus on its core business of marketing and operating game products.

Consumer Product Business

Revenue generated from consumer product business, primarily including sales of our private-label and local-flavor rice noodle products and other fast consumer foods under the brand "Zha Zha Hui", decreased by 55.5% from RMB126.8 million for the six months ended June 30, 2023 to RMB56.4 million for the six months ended June 30, 2024. The decrease was mainly due to (i) the Group's strategic focus on its core business of marketing and operating game products, thereby reducing R&D and marketing expenditures in the consumer product business; and (ii) the increased market competition in the consumer product sector.

Cost of Sales

For the six months ended June 30, 2024, the Group's cost of sales was RMB861.6 million, representing a decrease of 22.1% compared to RMB1,106.0 million in the same period of 2023. The change was mainly due to the decrease in gross billings generated by game products under the joint-run model, leading to a reduction in commissions to third-party distribution channels.

Gross Profit and Gross Profit Margin

For the six months ended June 30, 2024, the Group's total gross profit was RMB2,364.2 million, representing a slight increase of 3.1% compared to RMB2,294.1 million in the same period of 2023, which was generally in line with the growth in revenue generated from game products under the self-run model.

The Group's gross profit margin for the six months ended June 30, 2024 was 73.3%, representing an increase of 5.8 percentage points compared to 67.5% in the same period of 2023, primarily because the Group generated a higher portion of revenue from game products under the self-run model, which had a higher gross profit margin compared to the joint-run model.

Other Income and Gains

For the six months ended June 30, 2024, the Group's other income and gains were RMB78.7 million, representing a decrease of 79.6% compared to RMB386.3 million in the same period of 2023, primarily due to a decrease in fair value gains on financial assets at fair value through profit or loss ("FVTPL") in relation to changes in the fair value of shares of other listed company held by the Group.

Selling and Distribution Expenses

For the six months ended June 30, 2024, the Group's selling and distribution expenses were RMB2,288.8 million, representing an increase of 17.2% compared to RMB1,953.2 million in the same period to 2023. This was mainly due to our increased efforts in promoting and advertising our new high-quality games.

Management Discussion and Analysis

Administrative Expenses

For the six months ended June 30, 2024, the Group's administrative expenses were RMB112.5 million, representing a decrease of 11.9% compared to RMB127.6 million in the same period of 2023. This was mainly because (i) no listing expenses were recorded in the first half of 2024, and (ii) the share-based compensation relevant to administrative personnel recorded in the first half of 2024 decreased.

R&D Costs

For the six months ended June 30, 2024, the Group's R&D costs were RMB74.5 million, representing a decrease of 14.1% compared to RMB86.7 million in the same period of 2023. This was mainly due to a decrease in share-based compensation relevant to R&D personnel recorded in the first half of 2024.

Other Expenses

For the six months ended June 30, 2024, the Group's other expenses were RMB367.1 million (same period in 2023: RMB3.8 million). The change was primarily due to (i) an increase in investment loss on financial assets at FVTPL in relation to the decrease of the price of stocks the Group held as a strategic investment in Zhejiang Century Huatong Group Co., Ltd. (浙江世紀華通集團股份有限公司) ("**Century Huatong**"), a company listed on the Shenzhen Stock Exchange (SZSE: 002602); (ii) impairment losses on assets relating to prepayments of licensing fees to game developers, which were incurred as a result of the delay in the launch schedules of certain licensed games; (iii) an increase in impairment losses on fixed assets; and (iv) impairment losses on goodwill relating to one of our wholly-owned subsidiaries.

Finance Costs

For the six months ended June 30, 2024, the Group's finance costs were RMB28.2 million, a decrease of 47.2% compared to RMB53.4 million in the same period of 2023. The decrease was mainly due to a decrease in the finance cost of bills payable, which was in line with a decrease in the Group's bills payable.

Share of Profits and Losses of Joint Ventures

For the six months ended June 30, 2024, the Group recorded share of profits of RMB0.7 million (same period in 2023: RMB2.2 million). This change was mainly due to (i) the losses recorded by our joint ventures, Guangzhou Ziyun Cloud Computing Co., Ltd. (廣州紫雲雲計算有限公司) and Guangzhou Zeda New Cultural and Creative Industry Development Co., Ltd. (廣州市澤達新文創產業發展有限公司); and (ii) the decrease in profits recorded by our joint venture, Zhejiang Xuwan Technology Co., Ltd. (浙江旭玩科技有限公司).

Share of Profits and Losses of Associates

For the six months ended June 30, 2024, the Group recorded share of profits of RMB16.9 million (same period in 2023: losses of RMB13.3 million). The change was mainly because (i) we recorded profits by our associate Shanghai Dehan Technology Co., Ltd. (上海德寒科技有限公司) in 2024; and (ii) the losses recorded by our associate Hangzhou Shengxu Miracle Network Technology Co., Ltd. (杭州盛旭奇跡網絡科技有限公司) decreased.

Management Discussion and Analysis

Income Tax Credit/(Expense)

For the six months ended June 30, 2024, the Group recorded income tax credit of RMB31.4 million (same period in 2023: income tax expense of RMB142.4 million). The income tax credit was mainly incurred in relation to (i) impairment of assets; and (ii) changes in fair value of shares of other listed company held by the Group.

(Loss)/Profit for the Period

As a result of the foregoing, the Group's net loss was RMB385.0 million for the six months ended June 30, 2024. For the same period of last year, the Group's net profit was RMB300.3 million.

Goodwill

As of June 30, 2024, the Group's goodwill was nil (December 31, 2023: RMB27.9 million). The decrease in goodwill was mainly because the goodwill of the Group's wholly-owned subsidiary Guangzhou Chichi Network Technology Co., Ltd. (廣州吃吃網絡科技有限公司) had been written down to nil due to (i) the unsatisfactory operation of the Group's consumer product business during the Reporting Period and (ii) the Group's strategical focus on its core business of marketing and operating game products.

Trade Receivables

As of June 30, 2024, the Group's net trade receivables were RMB286.5 million, representing a decrease of 7.8% compared to RMB310.7 million as of December 31, 2023, mainly due to our increased efforts in recovering our trade receivables which were due.

Trade Payables

As of June 30, 2024, the Group's trade payables were RMB618.6 million, representing an increase of 32.7% compared to RMB466.1 million as of December 31, 2023, mainly due to an increase in trade payables of the agreed portion of gross billing payable to collaborating platforms.

Bills Payable

As of June 30, 2024, the Group's bills payable were RMB2,334.6 million, representing a decrease of 16.8% compared to RMB2,806.6 million as of December 31, 2023, mainly due to a reduction in payments to suppliers settled using bank acceptance bills during the Reporting Period.

Liquidity and Capital Resources

As of June 30, 2024, the Group had cash and cash equivalents of RMB541.0 million (December 31, 2023: RMB486.9 million), representing cash and bank balance, net of restricted cash. Cash and cash equivalents were held in RMB, HK dollars, US dollars and Japanese yen. Going forward, the Group believes that its liquidity requirements will be satisfied by using a combination of cash generated from operating activities, funds raised from the capital markets from time to time and the net proceeds received from the Global Offering. The Group currently does not have any other plans for material additional external financing.

Management Discussion and Analysis

Bank Borrowings

As of June 30, 2024, the Group had interest-bearing bank and other borrowings of RMB49.8 million (December 31, 2023: RMB213.7 million). The Group's interest-bearing bank and other borrowings were discounted bills and bank loans provided by commercial banks to the Group, both of which were fully secured by pledges during the ordinary course of business. The interest-bearing bank and other borrowings were denominated in RMB and bore interests at rates ranging from 1.2% to 2.0% per annum.

Gearing Ratio

The Group monitored its capital sufficiency using gearing ratio. As of June 30, 2024, the Group's gearing ratio (debt, including interest-bearing bank borrowings and lease liabilities, as a percentage of total equity as of the end of the relevant reporting period) was 0.13 (December 31, 2023: 0.18).

Current Ratio

As of June 30, 2024, the Group's current ratio (total current assets divided by total current liabilities as of the end of the relevant reporting period) was 0.88 (December 31, 2023: 0.84).

Significant Investments, Material Acquisitions and Disposals

As of June 30, 2024, the Group held no significant investments (including any investments in target companies with a value equal to or exceeding 5% of the Group's total assets).

For the six months ended June 30, 2024, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

Future Plans for Material Investments and Capital Assets

As of June 30, 2024, the Group had no specific plan for material investments and acquisition or disposal of capital assets.

Capital Expenditure

For the six months ended June 30, 2024, total capital expenditure amounted to approximately RMB23.2 million (same period in 2023: RMB11.9 million), which was used for the purchase of properties and equipments and other intangible assets.

Contingent Liabilities

As of June 30, 2024, the Group did not have any material contingent liabilities, guarantees of any litigations or claims of material importance, pending or threatened against any member of the Company. The Group had settled previous civil litigation disclosed in its annual report for the year of 2023 with ChuanQi IP Co., Ltd., as the plaintiff, with respect to collaboration and other ancillary documents on and the website established for the PC version of The Legend of Mir II (熱血傳奇). The High People's Court of Fujian Province granted the withdrawal of the lawsuit requested by ChuanQi IP Co., Ltd. in March 2024.

Foreign Exchange Risk and Hedging

The Group's financial statements were expressed in RMB, but the Group undertook certain transactions in foreign currencies, which exposed the Group to foreign currency risk. The Group currently does not hold any financial instruments for hedging purposes. The Group manages its currency risks by closely monitoring the movement of the foreign currency rates and considers hedging significant foreign currency exposure should the need arise.

Management Discussion and Analysis

Employee, Remuneration and Option Scheme

As of June 30, 2024, the Group had 1,247 employees (December 31, 2023: 1,305), all of whom were based in China. The total remuneration cost incurred by the Group for the six months ended June 30, 2024 was RMB218.9 million, representing a decrease of 16.0% compared to RMB260.7 million in the same period of 2023.

The Group compensates its employees with salaries, allowances and benefits in kind, equity-settled share payment expenses and pension scheme contributions. The Group determines employees' compensation packages on the basis of work performance and the market standard of remuneration. The Group also makes sufficient provisions for the social insurance and housing provident fund contributions as required by the PRC laws and regulations.

The Group has also adopted a pre-IPO share option plan to provide incentives for eligible participants who contribute to the success of the Group's operations, including among others, employees of the Group. Please refer to the section headed "Statutory and General Information — D. Pre-IPO Share Option Plans" in Appendix IV to the Prospectus for further details.

For the six months ended June 30, 2024, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on its business, financial condition or results of operations, or any difficulty in recruiting employees.

Charge on Assets

As of June 30, 2024, the Group had pledged (i) time deposits of RMB3,000.4 million (December 31, 2023: RMB4,183.4 million) and (ii) fixed assets and investment properties with a total carrying amount of RMB60.8 million (December 31, 2023: nil), which had been acting as a security for the discounted bills, bills payable and bank loans made available to the Group.

Continuing Disclosure Obligations Pursuant to the Listing Rules

As of 30 June 2024, the Group does not have any other obligations required to be disclosed pursuant to Rules 13.20, 13.21 and 13.22 of the Listing Rules.

Other Information

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

As of June 30, 2024, the interests and short positions of the Directors or chief executive of the Company and their associates in any of the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

Interest in Shares and underlying Shares

Name of Director/chief executive	Nature of interest	Number of ordinary shares	Approximate percentage of shareholding in the associated corporation
Mr. WU Xubo ⁽¹⁾⁽²⁾	Settlor of a discretionary trust; beneficiary of a trust; interest in controlled corporation ⁽¹⁾	264,263,000 (L)	49.45% (L)
	Beneficial interest ⁽²⁾	4,255,157 (L)	0.80% (L)
Ms. WU Xuan ⁽³⁾	Settlor of a discretionary trust; beneficiary of a trust; interest in controlled corporation ⁽³⁾	38,487,000 (L)	7.20% (L)

(L) denotes a long position

Notes:

- (1) Mr. WU Xubo held his 264,263,000 Shares through WXB BVI 2, which is owned by WXB BVI 1 and WXB Holdco as to 50.0% and 50.0%, respectively. WxLand Trust was established by Mr. WU Xubo as the settlor and TMF (Cayman) Ltd. as the trustee. WxLand Trust is a discretionary trust and its beneficiaries are Mr. WU Xubo and WXB BVI 1. Mr. WU Xubo is also a director of each of WXB BVI 1 and WXB BVI 2.
- (2) Mr. WU Xubo was granted options under the Pre-IPO Share Option Plan on November 16, 2022, March 16, 2023, March 31, 2023, June 30, 2023, July 31, 2023 and September 7, 2023 to subscribe for 3,819,592 Shares, 61,855 Shares, 10,309 Shares, 167,525 Shares, 41,237 Shares and 154,639 Shares, respectively.
- (3) Ms. WU Xuan held her Shares through WxZela International Ltd, which is wholly-owned by Zela Holding Limited, and is in turn wholly-owned by WxZela Trust. WxZela Trust is a discretionary trust established by Ms. WU Xuan (as settlor) for the benefit of WxZela Holding Limited, a BVI company wholly-owned by Ms. WU Xuan, and is managed by Trident Trust Company (HK) Limited. Ms. WU Xuan is also a director of each of WxZela International Ltd and Zela Holding Limited.

Interest in Associated Corporation

Name of Director/chief executive	Nature of interest	Associated corporations	Number of ordinary shares (registered share capital (RMB))	Approximate percentage of shareholding in the associated corporation
Mr. WU Xubo	Interest in controlled corporation ⁽¹⁾	Jiangxi Tanwan	4,550,000 (L)	45.50% (L)
	Beneficial Owner ⁽¹⁾		635,260 (L)	6.35% (L)
Ms. WU Xuan	Interest in controlled corporation ⁽²⁾	Jiangxi Tanwan	1,164,740 (L)	11.65% (L)
	Beneficial Owner ⁽²⁾		300,000 (L)	3.00% (L)

(L) denotes a long position

Notes:

- (1) Mr. WU Xubo held approximately 6.35% equity interests in Jiangxi Tanwan directly. Shangrao Hongbang, the general partner of which is Mr. WU Xubo, held 45.50% equity interests in Jiangxi Tanwan.
- (2) Ms. WU Xuan held 3.00% equity interests in Jiangxi Tanwan directly. Shangrao Qichuang, the general partner of which is Ms. WU Xuan held approximately 11.65% equity interests in Jiangxi Tanwan.

As of June 30, 2024, save as disclosed above, so far as is known to any Director or the chief executive of the Company, none of the Directors nor the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (b) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of June 30, 2024, so far as the Directors are aware, the persons who held interests and/or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO, are set out below:

Name of Shareholder	Nature of interest	Number of Ordinary Shares	Approximate percentage of shareholding in the total issued share capital
Mr. WU Xubo ⁽¹⁾⁽²⁾	Settlor of a discretionary trust; beneficiary of a trust; interest in a controlled corporation ⁽¹⁾	264,263,000 (L)	49.45% (L)
	Beneficial interest ⁽²⁾	4,255,157 (L)	0.80% (L)
WXB BVI 2 ⁽¹⁾	Beneficial interest	264,263,000 (L)	49.45% (L)
WXB BVI 1 ⁽¹⁾	Interest in a controlled corporation	264,263,000 (L)	49.45% (L)
WXB Holdco ⁽¹⁾	Interest in a controlled corporation	264,263,000 (L)	49.45% (L)
TMF (Cayman) Ltd. ⁽¹⁾	Trustee of a trust	264,263,000 (L)	49.45% (L)
Ms. WU Xuan ⁽³⁾	Settlor of a discretionary trust; beneficiary of a trust; interest in controlled corporation ⁽³⁾	38,487,000 (L)	7.20% (L)
WxWorld Holding Limited ⁽⁴⁾	Beneficial interest	28,000,000 (L)	5.24% (L)

(L) denotes a long position

Notes:

- (1) Mr. WU Xubo holds his 264,263,000 Shares through WXB BVI 2, which is owned by WXB BVI 1 and WXB Holdco as to 50.0% and 50.0%, respectively. WxLand Trust was established by Mr. WU Xubo as the settlor and TMF (Cayman) Ltd. as the trustee. WxLand Trust is a discretionary trust and its beneficiaries are Mr. WU Xubo and WXB BVI 1.
- (2) Mr. WU Xubo was granted options under the Pre-IPO Share Option Plan on November 16, 2022, March 16, 2023, March 31, 2023, June 30, 2023, July 31, 2023 and September 7, 2023 to subscribe for 3,819,592 Shares, 61,855 Shares, 10,309 Shares, 167,525 Shares, 41,237 Shares and 154,639 Shares, respectively.
- (3) Ms. WU Xuan held her Shares through WxZela International Ltd, which is wholly-owned by Zela Holding Limited, and is in turn wholly owned by WxZela Trust. WxZela Trust is a discretionary trust established by Ms. WU Xuan (as settlor) for the benefit of WxZela Holding Limited, a BVI company wholly-owned by Ms. WU Xuan, and is managed by Trident Trust Company (HK) Limited.
- (4) WxWorld Holding Limited is controlled by Mr. CHEN Yang, an employee of the Company. Therefore, Mr. CHEN Yang is also deemed to be interested in 28,000,000 Shares held by WxWorld Holding Limited under the SFO.

As of June 30, 2024, save as disclosed above, the Directors and the chief executive of the Company are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONTRACTUAL ARRANGEMENTS

The Board has reviewed the overall performance of the Contractual Arrangements and believes that the Group complied with the Contractual Arrangements in all material respects during the Reporting Period and up to the date of this interim report. Please refer to the section headed "Contractual Arrangements" of the Prospectus for details.

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

Neither the Company nor any subsidiaries nor Consolidated Affiliate Entities of the Group have purchased, redeemed or sold any of the listed securities of the Company (including sale of treasury Shares) for the six months ended June 30, 2024. As of June 30, 2024, the Company did not hold any treasury Shares.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

On September 28, 2023, the Shares of the Company were listed on the Main Board of the Stock Exchange. The net proceeds from the global offering, after deducting underwriting discounts and commissions, were approximately HKD135.8 million, which will be used in accordance with the intended use of net proceeds as disclosed in the Prospectus by the Company.

As of June 30, 2024, approximately HKD135.8 million of the net proceeds of the Global Offering had been utilized as follows:

	Allocation of net proceeds from the Global Offering in the proportion disclosed in the Prospectus		Proceeds from the Global Offering utilized as of January 1, 2024 HKD million	Proceeds from the Global Offering utilized during the Reporting Period HKD million	Proceeds from the Global Offering unutilized as of June 30, 2024 HKD million	Expected timeline of full utilization of the unutilized proceeds from the Global Offering
	HKD million	Percentage				
Enhancing and expanding online game publishing business and other marketing business and consumer product business	40.7	30.0%	0	0	40.7	By the end of 2027
Expanding and deepening the partnership with major market participants throughout the full lifecycle value chain	40.7	30.0%	0	0	40.7	By the end of 2027
Improving technology infrastructure and enhancing internal R&D capabilities	13.6	10.0%	0	0	13.6	By the end of 2027
Supporting overall strategies of expanding into select markets outside China and developing overseas operation	13.6	10.0%	0	0	13.6	By the end of 2027
Exploring potential strategic acquisition opportunities	13.6	10.0%	0	0	13.6	By the end of 2027
Working capital and general corporate purposes	13.6	10.0%	0	0	13.6	By the end of 2027
Total	135.8	100.0%	0	0	135.8	

Other Information

As of June 30, 2024, all the unused net proceeds were held by the Company in short-term deposits with licensed banks or authorized financial institutions in Hong Kong and the PRC.

The unutilized amount is expected to be used in accordance with the Company's plan as disclosed in the Prospectus. The Company will continue to evaluate market conditions and adopt a prudent and flexible approach for utilizing the net proceeds and will ensure the net proceeds will be used effectively and efficiently for long-term benefit and development of the Group. The expected timeline of full utilization set out above is based on the Directors' best estimation barring unforeseen circumstances, and is subject to change in light of future development of market conditions.

PRE-IPO SHARE OPTION PLAN

The Pre-IPO Share Option Plan was adopted on November 4, 2022. A summary of the principal terms of the Pre-IPO Share Option Plan is set out in the section headed "Statutory and General Information — D. Pre-IPO Share Option Plan" in Appendix IV to the Prospectus.

All 17,463,918 underlying Shares under the Pre-IPO Share Option Plan have been issued to the ESOP BVIs to hold on trust for the Pre-IPO Share Option Plan prior to Listing. As such, no further Share is available for issue under the Pre-IPO Share Option Plan upon Listing. The Pre-IPO Share Option Plan is a share scheme of the Company involving its existing Shares.

Movements of Options during the Reporting Period

Pursuant to Rule 17.12 of the Listing Rules, particulars and movements of options under the Pre-IPO Share Option Plan during the Reporting Period were as follows:

Category of grantees	Date of grant	Exercise price per Share	Exercise period	Vesting period	outstanding as of January 1, 2024	Number of options				outstanding as of June 30, 2024	Weighted average closing price ⁽⁴⁾ (HKD per Share)
						granted	exercised during the Reporting Period	lapsed	cancelled		
Director											
Mr. WU Xubo (Executive Director)	November 16, 2022	US\$0.00002 per Share	November 16, 2022 to November 15, 2032	Note (1)	3,819,592	—	—	—	—	3,819,592	—
	March 16, 2023	US\$0.00002 per Share	March 16, 2023 to March 15, 2033	Note (1)	61,855	—	—	—	—	61,855	—
	March 31, 2023	US\$0.00002 per Share	March 31, 2023 to March 30, 2033	Note (1)	10,309	—	—	—	—	10,309	—
	June 30, 2023	US\$0.00002 per Share	June 30, 2023 to June 29, 2033	Note (1)	167,525	—	—	—	—	167,525	—
	July 31, 2023	US\$0.00002 per Share	July 31, 2023 to July 30, 2033	Note (1)	41,237	—	—	—	—	41,237	—
	September 7, 2023	US\$0.00002 per Share	September 7, 2023 to September 6, 2033	Note (1)	154,639	—	—	—	—	154,639	—
Subtotal					4,255,157	—	—	—	—	4,255,157	—

Other Information

Category of grantees	Date of grant	Exercise price per Share	Exercise period	Vesting period	Number of options					Weighted average closing price ⁽⁴⁾ (HKD per Share)	
					outstanding as of January 1, 2024	granted	exercised during the Reporting Period	lapsed	cancelled		outstanding as of June 30, 2024
4 Highest Paid Individuals ⁽²⁾	November 16, 2022	US\$0.00002 per Share	November 16, 2022 to November 15, 2032	Note (3)	2,000,000	–	2,000,000	–	–	–	19.10
	November 16, 2022	US\$0.00002 per Share	November 16, 2022 to November 15, 2032	Note (1)	1,677,834	–	419,458	–	–	1,258,376	24.89
Subtotal					3,677,834	–	2,419,458	–	–	1,258,376	–
Other grantees	November 16, 2022	US\$0.00002 per Share	November 16, 2022 to November 15, 2032	Note (1)	9,247,423	–	2,311,870	212,627	–	6,722,926	22.26
Total					17,180,414	–	4,731,328	212,627	–	12,236,459	–

Notes:

- (1) Twenty-five percent (25%) of the options granted to such grantee will vest on the day after the first three months of the Listing Date, and twenty-five percent (25%) of the options granted to such grantee will vest half-yearly thereafter.
- (2) The other one highest paid individual of the Company during the Reporting Period is our Director, being Mr. WU Xubo, whose interests in the underlying Shares in connection with the options granted to him are disclosed under the “Director” section of the above table.
- (3) All options granted to such grantee(s) will vest on the day after the first half-year anniversary of the Listing Date.
- (4) The weighted average closing price in this column refers to the weighted average closing price of the Shares immediately before the date on which the options were exercised.

There is no performance target for the options granted under the Pre-IPO Share Option Plan.

Each of the ESOP BVIs is wholly owned by a same trustee, which will not exercise any voting rights attached to such Shares at the Company’s general meetings.

Other Information

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as its code of conduct regarding directors' dealing in the Company's securities. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code for the six months ended June 30, 2024. The Company's relevant employees, who are likely to be in possession of inside information of the Company, are also subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's relevant employees was noted by the Company for the six months ended June 30, 2024.

The Company has also established a policy on inside information to comply with its obligations under the SFO and the Listing Rules. In the case when the Company becomes aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company's corporate governance practices are based on the principles and code provisions set forth in the Corporate Governance Code.

For the six months ended June 30, 2024, the Company has complied with the code provisions set out in the Corporate Governance Code except for code provisions as explained below.

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The roles of chairman of the Board and chief executive officer of the Group were performed by Mr. WU Xubo ("**Mr. WU**") during the Reporting Period. In view of Mr. WU's substantial contribution to the Group since its establishment and his extensive experience, the Company considered that having Mr. WU acting as both the chairman of the Board and chief executive officer during the Reporting Period provided strong and consistent leadership to the Group and facilitate the efficient execution of the Group's business strategies.

The Board believes that such structure did not impair the balance of power and authority between the Board and the management of the Group during the Reporting Period, given that: (i) there were sufficient checks and balances in the Board, as a decision made by the Board required approval by at least a majority of the Directors, and the Board comprised three independent non-executive Directors, which was in compliance with the requirement under the Listing Rules; (ii) Mr. WU and the other Directors were aware of and undertook to fulfill their fiduciary duties as Directors, which require, among other things, that they acted for the benefit and in the best interests of the Group and made decisions for the Group accordingly; and (iii) the balance of power and authority was ensured by the operations of the Board which comprised experienced and high calibre individuals who met regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategic and other key business, financial, and operational policies of the Group were made collectively after thorough discussion at both Board and senior management levels.

For the purpose of achieving better corporate governance of the Company pursuant to code provision C.2.1 of the Corporate Governance Code, the Board has approved a separation of roles of the chief executive officer and chairman, with Ms. LIANG Wenhong (“**Ms. LIANG**”) being appointed as the chief executive officer of the Company (the “**CEO**”) to succeed Mr. WU with effect from August 30, 2024 while Mr. WU will remain as an executive Director, the chairman of the Board, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Upon such change, the Company has complied with all code provisions as set out in Appendix C1 to the Listing Rules since the roles of the chief executive officer and the chairman are not performed by the same individual, reflecting the Company’s commitment to achieving better corporate governance practices.

CHANGES TO DIRECTORS’ INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

During the six month ended June 30, 2024, the Directors confirm that no change in director information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REVIEW OF THE INTERIM REPORT BY THE AUDIT COMMITTEE

We have established the Audit Committee with terms of reference in compliance with Rule 3.21 of the Listing Rules as well as paragraph D.3 of part 2 of the Corporate Governance Code. The Audit Committee consists of three independent non-executive Directors, namely, Ms. ZHENG Yi, Ms. SONG Siyun and Mr. QIN Yongde. The chairlady of the Audit Committee is Ms. ZHENG Yi, who has the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The interim report has been reviewed by the Audit Committee.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal controls and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2024. The Audit Committee considers that the interim financial results for the six months ended June 30, 2024 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

INTERIM DIVIDEND

The Board did not recommend the distribution of an interim dividend for the six months ended June 30, 2024.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Save for the change in the CEO from Mr. WU Xubo to Ms. LIANG Wenhong with effect from August 30, 2024 as stated above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to June 30, 2024 and up to the date of this interim report.

Independent Review Report

To the board of directors of ZX Inc.

(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 23 to 45, which comprises the condensed consolidated statement of financial position of ZX Inc. (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows 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 a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 (“**HKSRE 2410**”) *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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 information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

30 August 2024

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024

	Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
REVENUE	5	3,225,776	3,400,091
Cost of sales		(861,607)	(1,106,013)
Gross profit		2,364,169	2,294,078
Other income and gains		78,704	386,310
Selling and distribution expenses		(2,288,845)	(1,953,214)
Administrative expenses		(112,491)	(127,620)
Research and development costs		(74,455)	(86,694)
Impairment losses on financial assets, net		(5,770)	(1,905)
Other expenses		(367,057)	(3,846)
Finance costs		(28,248)	(53,365)
Share of profits and losses of:			
Joint ventures		694	2,226
Associates		16,949	(13,316)
(LOSS)/PROFIT BEFORE TAX	6	(416,350)	442,654
Income tax credit/(expense)	7	31,397	(142,393)
(LOSS)/PROFIT FOR THE PERIOD		(384,953)	300,261
Attributable to:			
Owners of the parent		(382,924)	275,654
Non-controlling interests		(2,029)	24,607
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic (RMB)		(0.74)	0.55
Diluted (RMB)		(0.74)	0.55

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	(384,953)	300,261
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of associates	(59,202)	20,698
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(59,202)	20,698
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(444,155)	320,959
Attributable to:		
Owners of the parent	(442,126)	296,352
Non-controlling interests	(2,029)	24,607

Interim Condensed Consolidated Statement of Financial Position

30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT ASSETS			
Property and equipment	10	75,200	98,567
Investment properties		80,375	81,541
Right-of-use assets		327,399	347,846
Goodwill		—	27,917
Other intangible assets		13,140	15,253
Investment in joint ventures		283,538	273,418
Investment in associates		137,088	178,239
Financial assets at fair value through profit or loss	12	—	15,000
Deferred tax assets		192,053	109,312
Prepayments, other receivables and other assets		65,467	11,633
Pledged deposits		1,361,691	2,045,506
Total non-current assets		2,535,951	3,204,232
CURRENT ASSETS			
Inventories		2,656	2,905
Trade receivables	11	286,485	310,696
Prepayments, other receivables and other assets		785,901	683,872
Amounts due from related parties	18	76,538	23,981
Financial assets at fair value through profit or loss	12	314,862	412,800
Pledged deposits		1,638,746	2,137,907
Restricted cash		63,804	4,931
Cash and cash equivalents		540,955	486,886
Total current assets		3,709,947	4,063,978
CURRENT LIABILITIES			
Trade payables	13	618,648	466,069
Bills payable	14	2,334,580	2,806,551
Other payables and accruals		687,029	893,941
Interest-bearing bank borrowings		49,752	213,743
Lease liabilities		46,001	39,616
Tax payable		460,414	416,277
Total current liabilities		4,196,424	4,836,197
NET CURRENT LIABILITIES		(486,477)	(772,219)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,049,474	2,432,013

Interim Condensed Consolidated Statement of Financial Position

30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		147,013	153,178
Provision		200	3,050
Total non-current liabilities		147,213	156,228
Net assets		1,902,261	2,275,785
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	77	77
Treasury shares	15	(2)	(3)
Reserves		1,927,328	2,286,450
		1,927,403	2,286,524
Non-controlling interests		(25,142)	(10,739)
Total equity		1,902,261	2,275,785

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the parent									
	Share capital RMB'000 (note 15)	Treasury shares RMB'000 (note 15)	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Share incentive reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	(Accumulated losses)/retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
At 31 December 2023 (audited)	77	(3)	217,502	5,000	2,363,777	(60,950)	(238,879)	2,286,524	(10,739)	2,275,785
Loss for the period	–	–	–	–	–	–	(382,924)	(382,924)	(2,029)	(384,953)
Other comprehensive income for the period:										
Proportion interest in the investee arising from changes in the investee's other comprehensive income, net of tax (unaudited)	–	–	–	–	–	(59,202)	–	(59,202)	–	(59,202)
Total comprehensive income for the period	–	–	–	–	–	(59,202)	(382,924)	(442,126)	(2,029)	(444,155)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(12,374)	(12,374)
Equity-settled share option arrangements	–	1	–	–	83,004	–	–	83,005	–	83,005
At 30 June 2024 (unaudited)	77	(2)	217,502*	5,000*	2,446,781*	(120,152)*	(621,803)*	1,927,403	(25,142)	1,902,261
	Attributable to owners of the parent									
	Share capital RMB'000 (note 15)	Treasury shares RMB'000 (note 15)	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Share incentive reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	(Accumulated losses)/retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity
At 31 December 2022 (audited)	74	(3)	6,643	5,000	2,144,409	–	(424,366)	1,731,757	(22,721)	1,709,036
Profit for the period	–	–	–	–	–	–	275,654	275,654	24,607	300,261
Other comprehensive income for the period:										
Proportion interest in the investee arising from changes in the investee's other comprehensive income, net of tax (unaudited)	–	–	–	–	–	20,698	–	20,698	–	20,698
Total comprehensive income for the period	–	–	–	–	–	20,698	275,654	296,352	24,607	320,959
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(9,800)	(9,800)
Equity-settled share option arrangements	–	–	–	–	112,554	–	–	112,554	–	112,554
Changes in non-controlling interests without loss of control	–	–	510	–	–	–	–	510	490	1,000
At 30 June 2023 (unaudited)	74	(3)	7,153*	5,000*	2,256,963*	20,698*	(148,712)*	2,141,173	(7,424)	2,133,749

* These reserve accounts comprise the consolidated reserves of RMB1,927,328,000 in the interim consolidated statement of financial position as at 30 June 2024 (30 June 2023: RMB2,141,102,000).

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(416,350)	442,654
Adjustments for:			
Finance costs		28,248	53,365
Foreign exchange (gain)/loss, net	6	(2,282)	77
Bank interest income		(64,046)	(94,570)
Share of profits and losses of joint ventures and associates		(17,643)	11,090
Impairment of an investment in joint ventures and associates		972	—
Gain on disposal of subsidiaries	6	—	(58)
Investment income from financial assets at fair value through profit or loss	6	(3,941)	(250,231)
Fair value loss/(gain) on financial assets at fair value through profit or loss	6	152,938	(23,113)
Equity-settled share-based payment expenses	6	83,004	112,554
Impairment of trade receivables, net	6	(1,088)	(50)
Impairment of financial assets included in other receivables	6	157,662	1,955
(Gain)/loss on disposal of items of property and equipment	6	(13)	683
Gain on lease modification	6	(154)	(3,908)
Depreciation of property and equipment	10	14,342	8,797
Depreciation of investment properties		1,166	—
Depreciation of right-of-use assets	6	23,347	13,375
Amortisation of other intangible assets		2,750	17,623
Impairment of property and equipment		31,431	—
Impairment of goodwill		27,917	—
Decrease in inventories		249	988
Decrease in trade and bills receivable		25,299	154,355
Increase in prepayments, other receivables and other assets		(316,365)	(85,846)
Increase in amounts due from related parties		(52,557)	(2,000)
Increase/(decrease) in trade payables		152,579	(41,256)
Decrease in bills payable		(471,971)	(384,241)
Decrease in other payables and accruals		(194,420)	(277,761)
Decrease/(increase) in restricted cash		3,500	(1,450)
Cash used in operations		(835,426)	(346,968)
Interest received		1,310	2,872
Interest paid		(22,745)	(44,637)
Income tax paid		(7,207)	(20,100)
Net cash flows used in operating activities		(864,068)	(408,833)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	62,736	91,698
Dividends received from a joint venture	—	200
Purchases of items of property and equipment	(22,523)	(6,098)
Proceeds from disposal of items of property and equipment	130	3,044
Additions to other intangible assets	(637)	(5,838)
Prepayment for right-of-use assets	(9,000)	—
Purchases of investments in joint ventures	(10,500)	—
Purchases of investments in associates	(1,000)	(244,966)
Disposal of an investment in a joint venture	—	10,000
Purchases of financial assets at fair value through profit or loss	(40,000)	(2,313,754)
Disposal of financial assets at fair value through profit or loss	3,941	3,005,333
Decrease in pledged time deposits	1,182,976	469,774
Net cash flows from investing activities	1,166,123	1,009,393
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment for deferred listing expenses	—	(2,955)
New bank loans	49,752	132,617
Repayment of bank loans	(213,802)	(339,637)
Interest paid	(987)	(2,008)
Principal portion of lease payments	(2,682)	(6,542)
Interest portion of lease payments	(4,457)	(4,564)
Capital injection from non-controlling interests	—	1,000
Dividends paid to non-controlling shareholders	(12,374)	(9,800)
Increase in restricted cash	(62,373)	(152,324)
Increase in rental deposits	(1,063)	(2,770)
Net cash flows used in financing activities	(247,986)	(386,983)
NET INCREASE IN CASH AND CASH EQUIVALENTS	54,069	213,577
Cash and cash equivalents at beginning of period	486,886	213,422
CASH AND CASH EQUIVALENTS AT END OF PERIOD	540,955	426,999
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Unrestricted cash and bank balances	540,955	426,999
CASH AND CASH EQUIVALENTS AS STATED IN THE INTERIM CONDENSED STATEMENTS OF CASH FLOWS AND INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION	540,955	426,999

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 18 March 2021 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands. The registered address of the office of the Company is 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in providing product marketing and operation services to online games in the People’s Republic of China (hereafter, the “**PRC**”).

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

The Group recorded net current liabilities of RMB486,477,000 as at 30 June 2024, which was primarily due to certain of the Group’s interest-bearing bank borrowings and bills payable being secured by long term fixed deposits of RMB1,414,462,000 that can be used to settle the Group’s current liabilities before maturity. The directors of the Group have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the long term fixed deposits available to the Group and the internally generated funds from operations, the directors believe that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due. Therefore, the interim condensed consolidated financial information has been prepared on a going concern basis.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKFRS 16

Amendments to HKAS 1

Amendments to HKAS 1

**Amendments to HKAS 7 and
HKFRS 7**

Lease Liability in a Sale and Leaseback

*Classification of Liabilities as Current or Non-current
(the “**2020 Amendments**”)*

*Non-current Liabilities with Covenants (the “**2022 Amendments**”)*

Supplier Finance Arrangements

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

4. OPERATING SEGMENT INFORMATION

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting 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, does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Chinese Mainland	2,938,751	3,268,089
Hong Kong	284,634	132,002
Others	2,391	—
Total	3,225,776	3,400,091

(b) Non-current assets

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

Information about major customers

Revenue from customers which amounted to more than 10% of the Group's revenue during the six months ended 30 June 2024 and 2023 are set out below:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	1,269,915	—
Customer B	531,621	1,066,291
Customer C	184,345	696,796
Customer D	106,991	502,976

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

5. REVENUE

Disaggregated revenue information

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Type of goods or services		
Game marketing and operation — Self-run model*	2,481,575	2,118,937
Game marketing and operation — Joint-run model	668,542	1,105,104
Other marketing services	19,254	49,251
Sales of products	56,405	126,799
Total	3,225,776	3,400,091
Timing of revenue recognition		
Services transferred over time	220,591	474,194
Services transferred at a point in time	2,948,780	2,799,098
Goods transferred at a point in time	56,405	126,799
Total	3,225,776	3,400,091
Geographical markets		
Chinese Mainland	2,938,751	3,268,089
Hong Kong	284,634	132,002
Others	2,391	—
Total	3,225,776	3,400,091

* Included the revenue of marketing and operation support services provided to third party publishers amounted to RMB5,950,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: RMB38,228,000).

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

6. (LOSS)/PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	For the six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Costs of services charged by the collaborating distribution platforms under joint-run model		586,928	898,066
Cost of products sold		38,208	76,470
Promotion expenses		2,190,825	1,851,249
Employee benefit expense: (including directors' and chief executives' remuneration)			
Wages and salaries		129,849	133,527
Equity-settled-based payment expenses		83,004	112,554
Pension scheme contributions*(defined contribution)		6,091	14,633
		218,944	260,714
Depreciation of property and equipment		14,342	8,797
Depreciation of right-of-use assets		23,347	13,375
Depreciation of investment properties		1,166	—
Amortisation of other intangible assets		2,750	17,623
Lease payments not included in the measurement of lease liabilities		—	180
Gain on lease modification		(154)	(3,908)
Foreign exchange differences, net		(2,282)	77
Impairment of property and equipment		31,431	—
Impairment of trade receivables, net		(1,088)	(50)
Impairment of financial assets included in other receivables		157,662	1,955
Impairment of goodwill		27,917	—
Impairment of investment in joint ventures		972	—
Fair value loss/(gain) on financial assets at fair value through profit or loss		152,938	(23,113)
Gain on disposal of financial assets at fair value through profit or loss		(3,941)	(250,231)
Gain on disposal of subsidiaries		—	(58)
(Gain)/loss on disposal of items of property and equipment, net	10	(13)	683

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

7. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiaries are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assembled profit arising in Hong Kong during the period.

Taxes on profits assessable in Chinese Mainland have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to the PRC Corporate Income Tax Law (the “**PRC Tax Law**”) effective on 1 January 2008, the PRC corporate income tax rate of the Group’s subsidiaries operating in Chinese Mainland during the reporting period was 25% of their taxable profits.

Guangzhou Zhongxu Future Technology Co., Ltd. (“**ZX WFOE**”), an indirect wholly-owned subsidiary of the Company, were accredited as “software enterprises” in 2021 under relevant PRC laws and regulations. Accordingly, ZX WFOE are exempt from Corporate Income Tax (“**CIT**”) for 2021 and 2022, followed by a 50% reduction in the applicable tax rates from 2023 to 2025.

The following table sets forth a breakdown of our income tax expense for the period indicated:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax — Chinese Mainland	51,344	137,028
Deferred income tax	(82,741)	5,365
Total tax charge for the period	(31,397)	142,393

8. DIVIDENDS

No dividends had been paid or declared by the Company during the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 519,231,717 in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the six months ended 30 June 2024 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000)	(382,924)	275,654
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	519,231,717	498,000,000
Effect of dilution — weighted average number of ordinary shares	—	3,556,258
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	519,231,717	501,556,258

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired assets at a cost of RMB22,523,000 (30 June 2023: RMB6,098,000).

Assets with a net book value of RMB117,000 were disposed of by the Group during the six months ended 30 June 2024 (30 June 2023: RMB3,727,000), resulting in a net gain on disposal of RMB13,000 (30 June 2023: net loss on disposal of RMB683,000).

During the six months ended 30 June 2024, an impairment loss of RMB31,431,000 (30 June 2023: Nil) was recognised for the Group's buildings.

11. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction dates and net of loss allowance, is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	284,808	307,204
1 to 2 years	1,532	3,218
Over 2 years	145	274
Total	286,485	310,696

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-current portion		
Unlisted equity investments, at fair value	—	15,000
Current portion		
Wealth management products, at fair value	40,462	—
Listed equity investments, at fair value	274,400	412,800
	314,862	412,800
Total	314,862	427,800

The above unlisted equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The above wealth management products were issued by banks in Chinese Mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The above listed equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The fair value of the unlisted equity investments were recognised based on the unobservable inputs of valuation models and were within level 3 of the fair value hierarchy. The fair values of wealth management products were recognised based on the observable inputs of valuation models from the private equity funds and were within level 2 of the fair value hierarchy. The fair values of investment in listed companies were recognised at quoted price in active markets.

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

13. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the transaction dates, is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	598,015	454,835
1 to 2 years	16,837	9,624
2 to 3 years	2,295	324
Over 3 years	1,501	1,286
Total	618,648	466,069

14. BILLS PAYABLE

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Bills payable	2,334,580	2,806,551
Total	2,334,580	2,806,551

The time deposits and financial assets at fair value through profit or loss in total of RMB4,371,004,000 were pledged for bills payable as at 31 December 2023. The time deposits, buildings and investment properties in total of RMB3,011,102,000 were pledged for bills payable as at 30 June 2024.

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

15. SHARE CAPITAL AND TREASURY SHARES

Shares

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Issued and fully paid: 534,439,918 (2023: 534,439,918) ordinary shares*	77	77

* As at 30 June 2024, the total number of issued ordinary shares included 12,449,086 (31 December 2023: 17,463,918) shares held for share option scheme, with par values of RMB2,000 (31 December 2023: RMB3,000).

16. CONTINGENT LIABILITIES

In March 2021, ChuanQi IP Co., Ltd. filed a civil litigation before Fujian Provincial High People's Court, indicted a total of five defendants including the Group, that have infringed the computer software copyright of the game "legend of Mir II", and put forward a lawsuit requesting the five defendants to immediately stop infringing the plaintiff's copyright and using any licencing activities related to the game "legend of Mir II" and closing down the website of www.xuw.com, and to jointly and severally compensate RMB100.5 million. After Fujian Provincial High People's Court accepted the case in April 2021, all defendants raised objections to the jurisdiction. In February 2023, the Fujian Provincial High People's Court rejected the defendants' objection to the jurisdiction in the case. In March 2023, the Group filed an appeal against the above ruling. In July 2023, the Supreme People's Court ruled to reject the appeal and maintain the original ruling, and the case continues to be heard by the Fujian Provincial High People's Court. The High People's Court of Fujian Province granted the withdrawal of the lawsuit requested by ChuanQi IP Co., Ltd. in March 2024. As at June 30, 2024, the Group did not have any material contingent liabilities.

17. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Leasehold improvements	3,541	16,743
Capital contributions payable to investees	31,700	18,200
Total	35,241	34,943

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

18. RELATED PARTY TRANSACTIONS

The following significant transactions were carried out between the Group and its related parties during the period presented.

(a) Names and relationships with related parties

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

Name of related parties	Relationship with the Group
Guangzhou Zeda New Culture and Creative Industry Development Co., Ltd. ("Guangzhou Zeda")	Joint venture
Fuzhou Zizai Entertainment Internet Technology Co., Ltd. ("Fuzhou Zizai")*	Associate before 3 April 2024
Shanghai Dehan Technology Co., Ltd. ("Shanghai Dehan")	Associate
Mr. Wu Xubo	Key management personnel
Ms. Wu Xuan	Key management personnel
Mr. Luo Xihu	Key management personnel

* Fuzhou Zizai was disposed on 3 April 2024, after which it has not been a related party of the Group.

(b) Significant transactions with related parties

The Group operates the game in partnership with an associate, Shanghai Dehan collects operating income, the transaction price and terms of the service are determined by both parties through negotiation.

(c) Other transactions with related parties

The Group's investment in Guangzhou Zeda was pledged to the Agricultural Bank of China to guarantee the bank borrowings of Guangzhou Zeda with the maximum guarantee amount of RMB405,000,000 as at 30 June 2024 (31 December 2023: RMB405,000,000).

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

18. RELATED PARTY TRANSACTIONS (Continued)

(d) Outstanding balances with related parties

Amounts due from related parties

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Shanghai Dehan	76,538	—
Fuzhou Zizai*	—	23,981
Total	76,538	23,981

* The amounts due from Fuzhou Zizai are prepayment and trade in nature.

An impairment analysis is performed at each reporting date using a loss rate approach to measure expected credit losses. During the period, the Group has made full provision for impairment of the amounts due from Fuzhou Zizai.

(e) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Fees	900	—
Salaries, allowances and benefits in kind	1,330	1,192
Share-based payments	18,313	24,652
Pension scheme contributions	29	21
Total	20,572	25,865

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 30 June 2024 and 31 December 2023, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

Management has assessed that the carrying amounts of cash and cash equivalents, pledged deposits, trade receivables, amounts due from related parties, financial assets included in prepayments, other receivables and other assets, trade payables, amounts due to related parties, financial liabilities included in other payables and accruals, and interest-bearing bank borrowings reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of lease liabilities, non-current portion of pledged deposits and non-current portion of time deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at the end of each of the reporting period were assessed to be insignificant.

The Group has unlisted investments, which represent wealth management products issued by banks in Chinese Mainland. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of listed equity investments are based on quoted market prices.

For the fair value of the unlisted equity investments, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2024 (Unaudited)

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	274,400	40,462	—	314,862

As at 31 December 2023 (Audited)

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	412,800	—	15,000	427,800

During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets and financial liabilities.

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets for which fair values are disclosed:

As at 30 June 2024 (Unaudited)

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Pledged deposits, non-current portion	—	1,361,691	—	1,361,691
Non-pledged time deposits with original maturity of over one year	—	52,771	—	52,771
Total	—	1,414,462	—	1,414,462

As at 31 December 2023 (Audited)

	Quoted prices in active markets (Level 1) RMB'000	Fair value measurement using		Total RMB'000
		Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Pledged deposits, non-current portion	—	2,045,506	—	2,045,506

20. EVENTS AFTER THE REPORTING PERIOD

Ms. LIANG Wenhong (“**Ms. LIANG**”) has been appointed as the chief executive officer (the “**CEO**”) of the Company to succeed Mr. WU with effect from August 30, 2024, while Mr. WU will remain as an executive Director, the chairman of the Board, the chairman of the nomination committee and a member of the remuneration committee of the Company.

21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorized for issue by the board of directors on 30 August 2024.

Definitions

“ARPPU”	average revenue per paying user
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“China” or “the PRC”	the People’s Republic of China, and for the purposes of this interim report only, except where the context requires otherwise, references to China or the PRC exclude Taiwan and the special administrative regions of Hong Kong and Macau
“Company” or “our Company”	ZX Inc. (中旭未来), an exempted limited liability company incorporated in the Cayman Islands on March 18, 2021
“Contractual Arrangements”	the series of contractual arrangements entered into by Guangzhou Zhongxu Future Technology Co., Ltd. (廣州中旭未來科技有限公司), an indirect wholly-owned subsidiary of our Company, Jiangxi Tanwan, and the registered shareholders of Jiangxi Tanwan, details of which have been set forth under the section headed “Contractual Arrangements” in the Prospectus
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and unless the context otherwise requires, refers to Mr. WU Xubo, WXB BVI 1, WXB BVI 2 and WXB Holdco
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Director(s)”	director(s) of the Company
“ESOP BVIs”	collectively, GLORIOUS TYCOON LIMITED, WxScarlett Ventures Limited and WxDR Ventures Limited, which hold the relevant issued Shares on trust for the Pre-IPO Share Option Plan
“Global Offering”	the offer for subscription of the shares as described in the Prospectus
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company, its subsidiaries and the PRC Operating Entities from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HKFRSs”	Hong Kong Financial Reporting Standards
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jiangxi Tanwan”	Jiangxi Tanwan Information Technology Co., Ltd. (江西貪玩信息技術有限公司), a limited liability company established in the PRC on May 21, 2015, one of the PRC Operating Entities controlled by our Company through the Contractual Arrangements

Definitions

“KOL(s)”	key opinion leader(s)
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	September 28, 2023, being the date on which dealings in the Shares first commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“MAU”	monthly active users, which refers to the number of active users in the relevant calendar month; average MAUs for a particular period is the average of the MAUs in each month during that period
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“MPU”	monthly paying users
“Nomination Committee”	the nomination committee of the Board
“paying user(s)”	in any given period, the account which contributes to gross billings for a particular game, a particular game genre or any or all of our games, as applicable
“PC”	personal computer
“PRC Operating Entities”	the entities controlled by our Group through the Contractual Arrangements, namely Jiangxi Tanwan and its subsidiaries
“Pre-IPO Share Option Plan”	the pre-IPO share option plan of our Company as adopted on November 4, 2022, a summary of its principal terms is set out in the section headed “Statutory and General Information — D. Pre-IPO Share Option Plan” in Appendix IV to the Prospectus
“Prospectus”	the prospectus issued by the Company on September 18, 2023
“R&D”	research and development
“Renminbi” or “RMB”	Renminbi yuan, the lawful currency of the PRC
“Reporting Period”	For the six months ended June 30, 2024
“Remuneration Committee”	the remuneration committee of the Board
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

Definitions

“Shangrao Hongbang”	Shangrao Hongbang Enterprise Management Center (Limited Partnership) (上饒縣宏邦企業管理中心(有限合夥)), a limited partnership established in the PRC on June 27, 2017, which is a registered shareholder of Jiangxi Tanwan with its general partner being Mr. WU Xubo and its limited partner being Ms. WU Xuan
“Shangrao Qichuang”	Shangrao Qichuang Enterprise Management Center (Limited Partnership) (上饒市齊創企業管理中心(有限合夥)), a limited partnership established in the PRC on December 17, 2020, which is a registered shareholder of Jiangxi Tanwan with its general partner being Ms. WU Xuan and its limited partner being certain key employees of Jiangxi Tanwan
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.00002 each
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“US dollars”, “USD” or “US\$”	United States dollars, the lawful currency of the United States
“WXB BVI 1”	WxLand Holding Limited, a business company incorporated in the BVI with limited liability on March 8, 2021, a wholly-owned subsidiary of Mr. WU Xubo, and one of our Controlling Shareholders
“WXB BVI 2”	WxLand International Ltd, a business company incorporated in the BVI with limited liability on January 4, 2022, a company owned by WXB BVI 1 as to 50.0%, and WXB Holdco as to 50.0%, and one of our Controlling Shareholders
“WXB Holdco”	WxLand Limited, a business company incorporated in the BVI with limited liability on September 26, 2022, which is wholly-owned by WxLand Trust, a discretionary trust established by Mr. WU Xubo as the settlor on September 22, 2022, and one of our Controlling Shareholders
“%”	percentage