The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Draft]

[Letterhead of PricewaterhouseCoopers]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF QINGCI GAMES INC., CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CLSA CAPITAL MARKETS LIMITED

Introduction

We report on the historical financial information of Qingci Games Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-89, which comprises the consolidated statements of financial position as at December 31, 2018, 2019 and 2020, and June 30, 2021, the statement of financial position of the Company as at June 30, 2021 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-89 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the **[REDACTED]** of shares of the Company on the **[REDACTED]**.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at June 30, 2021 and the consolidated financial position of the Group as at December 31, 2018, 2019 and 2020, and June 30, 2021, and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the six months ended June 30, 2020 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 33 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]

Certified Public Accountants

Hong Kong, [●]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (CONTINUED)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,			Six months ended June 30,	
		2018	**2019**	**2020**	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenues	5	98,421	88,704	1,226,920	88,550	762,950
Cost of revenues	6	(21,670)	(19,967)	(284,565)	(34,728)	(188,428)
Gross profit		**76,751**	**68,737**	**942,355**	**53,822**	**574,522**
Selling and marketing expenses	6	(13,917)	(16,763)	(559,215)	(186,426)	(245,071)
Research and development expenses	6	(25,305)	(25,612)	(146,108)	(12,258)	(18,043)
General and administrative expenses	6	(19,090)	(9,296)	(102,897)	(11,916)	(28,666)
Net impairment losses on financial assets	6	(657)	(170)	364	688	71
Fair value changes on investments measured at fair value through profit or loss	8	143	535	594	439	1,962
Other income	9	7,042	6,394	11,406	4,807	2,917
Other gains/(losses), net	10	1,262	1,741	(27,071)	(13)	(4,157)
Operating profit/(loss)		**26,229**	**25,566**	**119,428**	**(150,857)**	**283,535**
Finance income	11	53	47	795	48	697
Finance costs	11	(151)	(138)	(103)	(65)	(283)
Finance (costs)/income, net		**(98)**	**(91)**	**692**	**(17)**	**414**
Fair value changes of convertible redeemable preferred shares		–	–	–	–	(338,380)
Share of results of investments accounted for using equity method	17	145	(154)	(404)	(202)	5,046
Losses on impairment of investments accounted for using the equity method	17	–	(2,000)	–	–	–
Losses from financial instruments issued to investors	29	–	(2,667)	(6,400)	(3,200)	(53,928)
Profit/(loss) before income tax		**26,276**	**20,654**	**113,316**	**(154,276)**	**(103,313)**
Income tax (expenses)/credits	12	(1,416)	(1,029)	(9,577)	(1,904)	9,528
Profit/(loss) for the year/period attributable to equity holders of the Company		**24,860**	**19,625**	**103,739**	**(156,180)**	**(93,785)**

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (CONTINUED)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

		Year ended December 31,			**Six months ended June 30,**	
		2018	**2019**	**2020**	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Other comprehensive (loss)/income:						
Items that may not be reclassified to profit or loss						
— Currency translation differences		–	–	(955)	(171)	1,604
— Fair value changes on convertible redeemable preferred shares due to own credit risk		–	–	–	–	(986)
Other comprehensive (loss)/income for the year/period, net of tax		**–**	**–**	**(955)**	**(171)**	**618**
Total comprehensive income/(loss) for the year/period attributable to equity holders of the Company		**24,860**	**19,625**	**102,784**	**(156,351)**	**(93,167)**
Earnings/(loss) per share attributable to equity holders of the Company						
— Basic and diluted (RMB)	13	2.61	2.06	10.88	(16.39)	(9.84)

Note: The earnings/(loss) per share presented above have not been taken into account the **[REDACTED]** pursuant to the resolutions of the shareholders passed on [●] because the **[REDACTED]** has not become effective as at the date of this report (Note 13).

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (CONTINUED)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As of December 31,			As of June 30,
		2018	2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	14	861	1,017	3,931	7,500
Right-of-use assets	15	2,090	2,218	10,394	8,662
Deferred tax assets	16	3,817	3,446	2,625	16,699
Investments accounted for using the equity method	17	5,486	12,087	11,683	28,838
Long-term investments measured at fair value through profit or loss	19	1,100	21,646	77,800	134,716
Long-term investments measured at amortised cost	20	20,791	–	–	–
Prepayments, deposits and other assets	21	114	131	343	4,330
		34,259	**40,545**	**106,776**	**200,745**
Current assets					
Trade receivables	22	13,872	10,233	121,536	72,181
Inventories		–	–	222	269
Prepayments, deposits and other assets	21	40,401	55,880	59,490	37,846
Short-term investments measured at fair value through profit or loss	23	15,143	10,818	1,299	31,115
Short-term investments measured at amortised cost	20	10,085	86,341	–	–
Restricted cash	24(b)	–	–	2,250	719
Cash and cash equivalents	24(a)	21,398	26,092	443,248	675,957
		100,899	**189,364**	**628,045**	**818,087**
Total assets		**135,158**	**229,909**	**734,821**	**1,018,832**
EQUITY					
Share capital	25	–	–	–	1
Share premium	25	–	–	–	2,313,575
Other reserves	26	46,671	47,527	139,572	(3,058,252)
Retained earnings		47,123	65,892	74,631	(199,154)
Total equity		**93,794**	**113,419**	**214,203**	**(943,830)**
LIABILITIES					
Non-current liabilities					
Contract liabilities	27	645	–	–	–
Lease liabilities	28	1,040	–	6,816	6,096
Convertible redeemable preferred shares	30	–	–	–	1,770,020
Financial instruments issued to investors	29	–	82,667	89,067	–
		1,685	**82,667**	**95,883**	**1,776,116**
Current liabilities					
Trade payables	31	3,144	1,908	13,329	39,647
Other payables and accruals	32	19,806	21,469	169,464	41,371
Contract liabilities	27	12,345	6,017	227,949	96,516
Financial liabilities at fair value through profit or loss	23	–	–	–	65
Current income tax liabilities		3,295	2,154	10,415	6,224
Lease liabilities	28	1,089	2,275	3,578	2,723
		39,679	**33,823**	**424,735**	**186,546**
Total liabilities		**41,364**	**116,490**	**520,618**	**1,962,662**
Total equity and liabilities		**135,158**	**229,909**	**734,821**	**1,018,832**

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (CONTINUED)

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As of June 30, 2021
		RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	37	3,341,437
Current assets		
Prepayments, deposits and other assets		3,427
Cash and cash equivalents	24(a)	403,798
		407,225
Total assets		**3,748,662**
EQUITY		
Share capital	25	1
Share premium	25	2,313,575
Other reserves	26	815
Accumulated losses		(353,030)
Equity attributable to equity holders of the Company		1,961,361
Total equity		**1,961,361**
LIABILITIES		
Non-current liabilities		
Convertible redeemable preferred shares	30	1,770,020
Current liabilities		
Other payables and accruals	32	17,281
Total liabilities		**1,787,301**
Total equity and liabilities		**3,748,662**

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (CONTINUED)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity holders of the Company				
	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of January 1, 2018		**–**	**–**	**30,652**	**34,282**	**64,934**
Comprehensive income						
Profit for the year		–	–	–	24,860	24,860
Total comprehensive income for the year		**–**	**–**	**–**	**24,860**	**24,860**
Transaction with owners in their capacity as owners						
Appropriation to statutory reserves	26	–	–	2,019	(2,019)	–
Dividend distribution to the then shareholders	33	–		–	(10,000)	(10,000)
Share-based payment	6	–	–	14,000	–	14,000
Total transactions with owners in their capacity as owners for the year		**–**	**–**	**16,019**	**(12,019)**	**4,000**
As of December 31, 2018		**–**	**–**	**46,671**	**47,123**	**93,794**

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (CONTINUED)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Notes	Attributable to equity holders of the Company				
		Share capital	Share premium	Other reserves	Retained earnings	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of January 1, 2019		**–**	**–**	**46,671**	**47,123**	**93,794**
Comprehensive income						
Profit for the year		–	–	–	19,625	**19,625**
Total comprehensive income for the year		**–**	**–**	**–**	**19,625**	**19,625**
Transaction with owners in their capacity as owners						
Appropriation to statutory reserves	26	–	–	856	(856)	**–**
Issuance of financial instruments to investors	29	–	–	80,000	–	**80,000**
Recognition of financial instruments issued to investors as non-current liabilities		–	–	(80,000)	–	**(80,000)**
Total transactions with owners in their capacity as owners for the year		**–**	**–**	**856**	**(856)**	**–**
As of December 31, 2019		**–**	**–**	**47,527**	**65,892**	**113,419**

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (CONTINUED)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

		Attributable to equity holders of the Company				
	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of January 1, 2020		**–**	**–**	**47,527**	**65,892**	**113,419**
Comprehensive income						
Profit for the year		–	–	–	103,739	**103,739**
Other comprehensive income						
— Currency translation differences		–	–	(955)	–	**(955)**
Total comprehensive income for the year				**(955)**	**103,739**	**102,784**
Transaction with owners in their capacity as owners						
Appropriation to statutory reserves	26	–	–	5,000	(5,000)	**–**
Dividend distribution to the then shareholders	33	–	–	–	(90,000)	**(90,000)**
Capital contributions from the then shareholders		–	–	31,983	–	**31,983**
Share-based payment	6	–	–	56,017	–	**56,017**
Total transactions with owners in their capacity as owners for the year		**–**	**–**	**93,000**	**(95,000)**	**(2,000)**
As of December 31, 2020		**–**	**–**	**139,572**	**74,631**	**214,203**

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (CONTINUED)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

		Attributable to equity holders of the Company				
	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)						
As of January 1, 2020		**–**	**–**	**47,527**	**65,892**	**113,419**
Comprehensive (loss)/income						
Profit for the period		–	–	–	(156,180)	**(156,180)**
Other comprehensive income						
— Currency translation differences		–	–	(171)	–	**(171)**
Total comprehensive (loss)/income for the period		**–**	**–**	**(171)**	**(156,180)**	**(156,351)**
Transaction with owners in their capacity as owners						
Share-based payment	6	–	–	8,965	–	**8,965**
Total transactions with owners in their capacity as owners for the year		**–**	**–**	**8,965**	**–**	**8,965**
As of June 30, 2020		**–**	**–**	**56,321**	**(90,288)**	**(33,967)**

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (CONTINUED)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

		Attributable to equity holders of the Company				
	Notes	**Share capital**	**Share premium**	**Other reserves**	**Retained earnings**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of January 1, 2021		**–**	**–**	**139,572**	**74,631**	**214,203**
Comprehensive income						
Profit for the period		–	–	–	(93,785)	**(93,785)**
Other comprehensive income						
— Currency translation differences		–	–	1,604	–	**1,604**
— Fair value changes on convertible redeemable preferred shares due to own credit risk		–	–	(986)	–	**(986)**
Total comprehensive income for the period		**–**	**–**	**618**	**(93,785)**	**(93,167)**
Transaction with owners in their capacity as owners						
Changes in the carrying amount of financial instruments issued to investors	29	–	–	(251,564)	–	**(251,564)**
Effect of Share Exchange	30	–	–	(633,303)	–	**(633,303)**
Effect of Reorganization of the Group	25	1	2,313,575	(2,313,575)	–	**1**
Dividend distribution to the then shareholders	33	–	–	–	(180,000)	**(180,000)**
As of June 30, 2021		**1**	**2,313,575**	**(3,058,252)**	**(199,154)**	**(943,830)**

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP (CONTINUED)

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,			Six months ended June 30,	
		2018	2019	2020	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cash flows from operating activities						
Cash generated from operations	**34**	**40,585**	**8,599**	**444,097**	**15,789**	**116,957**
Income tax paid		**(463)**	**(1,798)**	**(496)**	**(201)**	**(7,506)**
Net cash generated from operating activities		**40,122**	**6,801**	**443,601**	**15,588**	**109,451**
Cash flows from investing activities						
Purchase of property, plant and equipment	**14**	**(55)**	**(470)**	**(3,481)**	**(472)**	**(4,031)**
Purchase of financial assets at fair value through profit and loss	**23**	**(15,000)**	**(1,891)**	**(8,247)**	**(8,247)**	**(30,000)**
Redemption of financial assets at fair value through profit and loss	**23**	**–**	**7,038**	**18,440**	**18,440**	**1,296**
Acquisition of long-term investments measured at fair value through profit or loss	**19**	**–**	**(20,833)**	**(56,234)**	**(3,833)**	**(48,000)**
Payments for financial assets measured at amortised cost		**(7,000)**	**(65,000)**	**–**	**–**	**–**
Redemption of financial assets measured at amortised cost		**7,000**	**10,000**	**85,000**	**65,000**	**–**
Acquisition of investments accounted for using the equity method	**17**	**(4,000)**	**(8,755)**	**–**	**–**	**(12,109)**
Loan repayment from related parties and third parties (including interests)		**30,172**	**22,619**	**30,375**	**2,786**	**367**
Loan to related parties and third parties		**(34,850)**	**(23,700)**	**(18,695)**	**(15,600)**	**–**
Dividends from long-term investments measured at fair value through profit or loss		**–**	**–**	**–**	**–**	**8**
Investment return received from wealth management products issued by commercial banks		**–**	**–**	**–**	**–**	**120**
Interest income received from financial assets measured at amortised cost		**36**	**740**	**2,430**	**764**	**–**
Net cash (used in)/generated from investing activities		**(23,697)**	**(80,252)**	**49,588**	**58,838**	**(92,349)**
Cash flows from financing activities						
Capital contributions from the then shareholders	**25, 26**	**–**	**–**	**31,983**	**–**	**1**
Proceeds from the issue of financial instruments to investors	**29**	**–**	**80,000**	**–**	**–**	**–**
Issuance of convertible redeemable preferred shares	**30**	**–**	**–**	**–**	**–**	**401,000**
Dividend paid to the then shareholders of a subsidiary	33	(10,000)	–	(90,000)	–	(180,000)
Payment for lease liabilities (including interests)	15	(1,267)	(1,737)	(2,349)	(1,242)	(1,812)
[REDACTED] payment		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Net cash (used in)/generated from financing activities		**(11,267)**	**78,263**	**(60,366)**	**(1,242)**	**217,363**
Net (decrease)/increase in cash and cash equivalents		5,158	4,812	432,823	73,184	234,465
Cash and cash equivalents at the beginning of the year/period		15,955	21,398	26,092	26,092	443,248
Effects of exchange rate changes on cash and cash equivalents		285	(118)	(15,667)	85	(1,756)
Cash and cash equivalents at the end of the year/period	24(a)	**21,398**	**26,092**	**443,248**	**99,361**	**675,957**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information, reorganization and basis of presentation

1.1 General information

Qingci Games Inc. (the "Company") is an exempted company with limited liability incorporated under the laws of the Cayman Islands on March 12, 2021. The Company is an investment holding company. The Company and its subsidiaries, including consolidated structured entities (together, the "Group") are principally engaged in the development and operation of mobile games and provision of information services (the "**[REDACTED]** Business") in the People's Republic of China (the "PRC") and other countries and regions.

1.2 History and reorganization of the Group

Prior to the incorporation of the Company and the completion of the reorganization (the "Reorganization") as described below, the **[REDACTED]** Business was mainly carried out by QC-Game Digital Technology (Xiamen) Co., Ltd ("QC Digital") and its subsidiaries (collectively the "QC Digital Group"), amongst which, 13.33% of the shares of the QC Digital were in the form of ordinary shares with preferential rights which was recognized at financial instruments issued to investors and 86.67% of the shares of the QC Digital were in the form of ordinary shares which was recognized in the equity.

In preparing for the **[REDACTED]** of the Company's shares on the **[REDACTED]**, the Group underwent the Reorganization, pursuant to which the beneficial interests in the companies engaged in the **[REDACTED]** Business were transferred to the Company. Details of the Reorganization are set out below:

1.2.1 Incorporation of the Company and the offshore holding structure

On March 12, 2021, the Company was incorporated in the Cayman Islands with an authorized share capital of US$50,000 divided into 5,000,000,000 shares of a par value of US$0.00001 each. Upon incorporation, one share was allotted and issued for cash at par value to the initial subscriber and was subsequently transferred to Keiskei QC Ltd., the holding vehicle of Mr. Yang Xu, the founder, chairman and executive Director of the Group.

On April 1, 2021, Qingci Holding Limited ("Qingci Holding") was incorporated in the British Virgin Islands ("BVI") as a wholly owned subsidiary of the Company.

On April 22, 2021, Qingci (HK) Limited ("QC HK Limited") was incorporated in Hong Kong as a wholly owned subsidiary of the Qingci Holding.

In April 2021, the shareholders of QC Digital went through a share transfer as disclosed in Note 30. After the share transfer, 33.21% of the shares of the QC Digital were in the form of ordinary shares with preferential rights and 66.79% of the shares of the QC Digital were in the form of ordinary shares.

On May 14, 2021, to reflect the onshore shareholding structure of QC Digital, 9,530,575 ordinary shares of the Company were allotted and issued at par value US$0.00001 each share to 9 offshore ordinary shareholders, 4,739,938 redeemable and convertible preferred shares ("Series A Preferred Shares") of the Company were issued to Series A investors (Note 30).

On May 26, 2021, 1,152,488 redeemable and convertible preferred shares ("Series B Preferred Shares) of the Company were allotted and issued at par value US$0.00001 each share to Series B Investors (Note 30).

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

1 General information, reorganization and basis of presentation (continued)

1.2 History and reorganization of the Group (continued)

1.2.2 Acquisition of QC Digital Group with restricted operation

On May 10, 2021, QC Interactive Technology Co., Ltd. (廈門青瓷互動科技有限公司, the "WFOE") was incorporated in the PRC as a wholly owned subsidiary of the QC HK Limited.

On May 26, 2021, WFOE entered into a series of contractual agreements (collectively the "Contractual Arrangements") with QC Digital and the shareholders of QC Digital. Pursuant to the Contractual Arrangements, WFOE is able to effectively control the operating and financing decisions of QC Digital and its PRC subsidiaries with restricted operation (collectively "the PRC Consolidated Affiliated Entities") and receives substantially all the economic benefits generated by the PRC Consolidated Affiliated Entities. Accordingly, the PRC Consolidated Affiliated Entities are treated as controlled structured entities of the Company and consolidated by the Company. Further details of the Contractual Arrangements are set out in Note 2.2.1.

1.2.3 Restructuring of the non-restricted and/or non-prohibited operation

As part of the Reorganization, the business which are not subject to any foreign investment restrictions or prohibition were transferred from QC Digital Group to Qingci Holding. Accordingly, on May 11, 2021, QC Digital transferred 100% equity interests of QC-Game Digital Technology (HongKong) Co., Limited ("QC HK"), to Qingci Holding and QC HK became a wholly owned subsidiary of Qingci Holding.

Upon completion of the Reorganization, the Company became the holding company of the companies now comprising the Group.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

1 General information, reorganization and basis of presentation (continued)

1.2 History and reorganization of the Group (continued)

Upon the completion of the Reorganization and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name	Place of incorporation / establishment and kind of legal entity	Date of incorporation / establishment	Particulars of issued / registered capital	Effective interest held: As of December 31, 2018	2019	2020	As of June 30, 2021	As the date of this report	Principal activities and place of operation	Notes
Subsidiaries										
Directly held:										
Qingci Holding Limited ("Qingci Holding")	British Virgin Islands, limited liability company	April 2021	USD1	NA	NA	NA	100%	100%	Investment holding	
Indirectly held:										
Qingci (HK) Limited ("QC HK Limited")	Hong Kong, limited liability company	April 2021	HKD100	NA	NA	NA	100%	100%	Investment holding	
QC Interactive Technology Co., Ltd. (厦门青瓷互动科技有限公司, the "WFOE")	Xiamen, China, limited liability company	May 2021	RMB100,000,000	NA	NA	NA	100%	100%	Investment holding	
Qingji Limited	Hong Kong, limited liability company	July 2021	HKD100	NA	NA	NA	NA	100%	Investment holding	
QC-Game Digital Technology (Hongkong) Co., Limited (香港青瓷數碼技術有限公司, "QC HK")	Hong Kong, limited liability company	October 2019	USD1,000,000	NA	NA	100%	100%	100%	Game operation	(i)
QCPlay Inc.* (株式會社 QCPlay, "QC Japan")	Japan, limited liability company liability company	May 2021	JPY 50,000,000	NA	NA	NA	100%	100%	Game operation	(vi)
Shanghai Qingci Culture Media Co., Ltd. (上海清賜文化傳媒有限公司, "QC Shanghai Culture")	Shanghai, China, limited liability company	July 2021	RMB100,000	NA	NA	NA	NA	100%	Game operation	(vii)
Shanghai Qingsi Management Consulting Co., Ltd. (上海青司管理諮詢有限公司, "Shanghai Qingsi")	Shanghai, China, limited liability company	October 2021	RMB 150,000,000	NA	NA	NA	NA	100%	Consultation	(xi)
Hainan Qingci Information Consulting Co., Ltd. (海南青瓷信息諮詢有限公司, "Hainan Qingci")	Hainan, China, limited liability company	October 2021	RMB 5,000,000	NA	NA	NA	NA	100%	Consultation	(xii)
Hainan Qingying Information Consulting Co., Ltd. (海南青影信息諮詢有限公司, "Hainan Qingying")	Hainan, China, limited liability company	October 2021	RMB 10,000,000	NA	NA	NA	NA	100%	Consultation	(xiii)
Structured entities controlled via the Contractual Arrangements:										
QC-Game Digital Technology (Xiamen) Co., Ltd (廈門青瓷數碼技術有限公司, "QC Digital")	Xiamen, China, limited liability company	March 2012	RMB14,270,513	100%	100%	100%	100%	100%	Game development and operation	(ii)
QC-Game Cultural Communication (Xiamen) Co., Limited (厦门青瓷文化傳播有限公司, "QC Cultural")	Xiamen, China, limited liability company	August 2014	RMB10,000,000	100%	100%	100%	100%	100%	Game development and operation	(iii)
QC-Game Digital Technology (Chengdu) Co., Ltd (成都青瓷數碼技術有限公司, "QC Chengdu")	Chengdu, China, limited liability company	April 2016	RMB 100,000	100%	100%	100%	100%	NA	Game operation	(iv)
Xiamen Changleyou Network technology Co., Limited (廈門暢樂游網絡科技有限公司, "CHANGLEYOU")	Xiamen, China, limited liability company	December 2015	RMB100,000	100%	NA	NA	NA	NA	Game operation	(v)
Xiamen Changwan Netwo7rk technology Co., Limited (廈門暢玩網絡科技有限公司, "Changwan")	Xiamen, China, limited liability company	September 2015	RMB100,000	100%	NA	NA	NA	NA	Game operation	(v)
QC Cheng du Interactive Co., Limited(成都青瓷互動網絡科技有限公司,"QC Interactive")	Chengdu, China, limited liability company	August 2021	RMB 5,000,000	NA	NA	NA	NA	100%	Game operation	(viii)
QC Chengdu Media Co., Limited (成都青瓷傳媒有限公司,"QC Media")	Chengdu, China, limited liability company	August 2021	RMB 2,000,000	NA	NA	NA	NA	60%	Game operation	(ix)
QC Chengdu Software Co., Limited(成都青瓷軟件技術有限公司,"QC Software")	Chengdu, China, limited liability company	August 2021	RMB 2,000,000	NA	NA	NA	NA	60%	Game operation	(x)

The English names of certain subsidiaries referred herein represent the directors' best effort at translating the Chinese names of these companies as no English names have been registered.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

1 General information, reorganization and basis of presentation (continued)

1.2 History and reorganization of the Group (continued)

(i) The statutory financial statements of QC HK was audited by Uniwin International CPA Limited (眾和國際會計師事務所有限公司) for the period from October 10, 2019 (date of incorporation) to December 31, 2020.

(ii) The statutory financial statements of QC Digital was audited by ZhongHui Certified Public Accountants LLP. (中匯會計師事務所(特殊普通合夥)) for the year ended December 31, 2018. The statutory financial statements for the year ended December 31, 2019 were audited by Rongcheng Certified Public Accountants (容誠會計師事務所(特殊普通合夥)). The statutory financial statements for the year ended December 31, 2020 were audited by Youndax certified public accountant's firm (永大會計師事務所).

(iii) The statutory financial statements of QC Cultural for the years ended December 31, 2018 and 2019 have not yet been audited. The statutory financial statements for the year ended December 31, 2020 were audited by Youndax certified public accountant's firm (永大會計師事務所).

(iv) The statutory financial statements of QC Chengdu for the years ended December 31, 2018, 2019 and 2020 have not yet been audited. The company was deregistered on August 9, 2021.

(v) No audited financial statements were issued for these subsidiaries because they were newly disposed and dissolved in February 2018 and July 2019 respectively.

(vi) The statutory financial statements of QC Japan for the period from May 2021 to the date of the report have not yet been audited.

(vii) The statutory financial statements of QC Shanghai Culture for the period from July 2021 to the date of the report have not yet been audited.

(viii) The statutory financial statements of QC Interactive for the period from August 2021 to the date of the report have not yet been audited.

(ix) The statutory financial statements of QC Media for the period from August 2021 to the date of the report have not yet been audited.

(x) The statutory financial statements of QC Software for the period from August 2021 to the date of the report have not yet been audited.

(xi) The statutory financial statements of Shanghai Qingsi for the period from August 2021 to the date of the report have not yet been audited.

(xii) The statutory financial statements of Hainan Qingci for the period from August 2021 to the date of the report have not yet been audited.

(xiii) The statutory financial statements of Hainan Qingying for the period from August 2021 to the date of the report have not yet been audited.

All companies comprising the Group have adopted December 31 as their financial year end date.

1.3 Basis of presentation

Immediately prior to and after the Reorganization, the **[REDACTED]** business is mainly conducted through QC Digital Group and its subsidiaries. Pursuant to the Reorganization, the **[REDACTED]** Business are transferred to and held by the Company.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

1 General information, reorganization and basis of presentation (continued)

1.3 Basis of presentation (continued)

The Company has not been involved in any other business prior to the Reorganization and its operations do not meet the definition of a business. The Reorganization is merely a recapitalization of the **[REDACTED]** Business operated by QC Digital Group and does not result in any changes in business substance. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the **[REDACTED]** Business under QC Digital Group, and, for the purpose of this report, the Historical Financial Information of the Company now comprising the Group is presented using the carrying value of the **[REDACTED]** Business for all periods presented as if the Reorganization has been completed before the Track Record Period.

Inter-company transactions, balances and unrealized gains/losses on transactions between Group companies are eliminated on consolidation.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information are in accordance with the International Financial Reporting Standards ("IFRSs"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning January 1, 2021, are consistently applied to the Group for the Track Record Period.

The following new standards, amendments and new interpretations that have been issued but are not effective for the Track Record Period, and have not been early adopted. The Group plans to adopt these new standards, amendments to standards and new interpretations when they become effective:

	Effective for annual periods beginning on or after
IFRS 10 (Amendment) and IAS 28 (Amendment) 'Sales or contribution of assets between an investor and its associate or joint venture'	To be determined
IAS 16 (Amendment) 'Property, plant and equipment – proceeds before intended use'	January 1, 2022
IAS 37 (Amendment) 'Onerous contracts – cost of fulfilling a contract'	January 1, 2022

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

	Effective for annual periods beginning on or after
IFRS 3 (Amendment) 'Reference to the conceptual Framework'	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
IAS 1 (Amendment) 'Classification of liabilities as current or non-current'	January 1, 2023
IFRS 17 'Insurance Contracts'	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies'	January 1, 2023
Amendments to IAS 8 'Definition of Accounting Estimates'	January 1, 2023
Amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'	January 1, 2023

The Group has already commenced an assessment of the impact of these new or revised standards and amendments. Management expects that "IAS 1 (Amendment) 'Classification of liabilities as current or non-current'", after its adoption on January 1, 2023, may cause a reclassification of "Convertible Redeemable Preferred Shares" from non-current liabilities to current liabilities, as the preferred shares may be converted into ordinary shares at the option of the preferred shareholders at any time. Except for this, no significant impact on the financial performance and positions of the Group is expected when they become effective.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement (including structured entities) with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statements, consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statements of financial position respectively.

2.2.1 Subsidiaries controlled through Contractual Arrangements

The wholly-owned subsidiary of the Company, the WFOE, has entered into the Contractual Arrangements with QC Digital, which enable the WFOE and the Group to:

- exercise power to direct the PRC Consolidated Affiliated Entities' relevant activities;
- exercise equity holders' voting rights of the PRC Consolidated Affiliated Entities;

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Subsidiaries controlled through Contractual Arrangements (continued)

- receive substantially all of the economic interest returns generated by the PRC Consolidated Affiliated Entities, in consideration for the business support by the WFOE, at the WFOE's discretion;
- obtain an irrevocable and exclusive right to purchase all equity interests in QC Digital from its registered equity holders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the registered equity holders of QC Digital shall return the amount of purchase consideration they have received to the WFOE. At the WFOE's request, the registered equity holders of QC Digital will promptly and unconditionally transfer their respective equity interests in QC Digital to the WFOE (or its designee within the Group) after the WFOE exercises its purchase right; and
- obtain a pledge over the entire ownership interests of QC Digital from its registered equity holders to secure performance of their obligations under the Contractual Arrangements.

As a result of the Contractual Arrangements, the Company has rights to exercise power over the PRC Consolidated Affiliated Entities, receive variable returns from its involvement with the PRC Consolidated Affiliated Entities, and has the ability to affect those returns through its power over the PRC Consolidated Affiliated Entities. Therefore, the Company is considered to control the PRC Consolidated Affiliated Entities. Consequently, the Company regards the PRC Consolidated Affiliated Entities as controlled structured entities and consolidates the financial positions and results of operations of these entities in the consolidated financial statements of the Group.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the PRC Consolidated Affiliated Entities and such uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC Consolidated Affiliated Entities. The directors, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

2.2.2 Business combination

The Group applies the acquisition method to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.2 Business combination (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss. Amounts classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognized in profit or loss.

2.2.3 Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

2.2.4 Disposal of subsidiaries

When the Group ceases to consolidate a subsidiary because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (continued)

2.3 Separate financial statements (continued)

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. All investments in associates in the form of ordinary shares with significant influence are accounted for using the equity method of accounting, after initially being recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an investment accounted for using the equity method equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that investments accounted for using the equity method are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognizes the amount in "Losses on impairment of investments accounted for using the equity method" in the consolidated income statements.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors of the Company.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation

2.6.1 Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currencies of the Company and its subsidiaries outside mainland China are USD, while the functional currencies of the Company's subsidiaries in the mainland China are RMB. As the major operations of the Group during the Track Record Period are within the mainland China, the Group determined to present its Financial Information in RMB (unless otherwise stated).

2.6.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in consolidated statements of comprehensive income on a net basis within "Other gains/(losses), net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in consolidated statements of comprehensive income as part of the "Fair value changes on investments measured at fair value through profit or loss".

2.6.3 Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (continued)

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred.

Depreciation on Property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

• Servers and other equipment	5 years
• Office appliances	5 years
• Vehicles	5 years

Property, plant and equipment arising from business acquisition is depreciated over the remaining useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other gains/(losses), net' in the statements of comprehensive income.

2.8 Intangible assets

Intangible assets mainly include game license, intangible assets are amortized over their estimated useful lives using the straight-line method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

2.9 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Game licenses and prepayments for game licenses and sharing of proceeds are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company regularly assesses the possibility whether relevant games could be successfully published and estimates the future return from these games to assess impairment indicator of those prepayments. (Note 21).

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (continued)

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

The Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (a) the contractual rights to receive the cash flows from the financial asset expire; or (b) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (c) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

2.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

2.10.3 Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other (losses)/gains together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statements of comprehensive income.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other (losses)/gains. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other (losses)/gains and impairment expenses are presented as separate line item in the statements of comprehensive income.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "Fair value changes on investments measured at fair value through profit or loss" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL are recognized in other (losses)/gains in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.10.4 Impairment

The Group has 2 types of financial assets subject to IFRS 9's new expected credit loss model:

- trade receivables; and
- other receivables

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

2.10.4 Impairment (continued)

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at a amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The Group uses practical expedients when estimating lifetime expected credit losses on trade receivables, which is calculated using a provision matrix where a fixed provision rate applies depending on the number of days that a trade receivable is outstanding.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2.11 Financial liabilities (current)

Financial liabilities are classified as at FVPL (including foreign currency forward contracts) when the financial liability is held for trading.

Financial liabilities at FVPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the "Fair value changes on investments measured at fair value through profit or loss" line item.

2.12 Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 3.3.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. As the derivative financial instruments do not qualify for hedge accounting treatment, the resulting gain or loss is recognized in profit or loss immediately.

The Group's derivative financial instruments mainly represented foreign exchange forward contracts within one year. The Group presents these contracts as current financial assets at FVPL or current financial liabilities at FVPL according to the fair value position of foreign exchange forward contracts at each period end.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (continued)

2.13 Financial instruments issued to investors

Financial instruments issued to investors represented issuance of ordinary shares with certain preferential rights to certain investors of QC Digital. According to the agreement, the ordinary shares will become redeemable by the holder under certain events which are out of the Group's control.

As the Group does not have the unconditional right to avoid delivering cash or another financial assets to settle contractual obligation, the Group recognized a financial liability which recognized initially at the present value of the redemption amount. The financial liabilities are subsequently measured at amortized cost. Interests from the financial instruments are charged in "Losses from financial instruments issued to investors". Subsequently, if the Group revises its estimates of payments, the Group will adjust the carrying amount of the financial liability to reflect the present value of revised estimated future cash outflows at the financial instrument's original effective interest rate, and the adjustments will be recognized as "Losses from financial instruments issued to investors" (Note 29). The redemption liabilities are classified as current liabilities unless the preferential rights can only be exercised after 12 months after the end of each reporting period.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, deposits held by financial institutions and other short-term highly liquid investments with original maturities of three months or less.

2.17 Inventories

Inventories are mainly merchandise and are stated at the lower of cost and net realizable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventories are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (continued)

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Convertible redeemable preferred shares

Preferred shares issued by the Company ("Preferred Shares") are redeemable upon occurrence of certain future events. These instruments are also attached with a conversion option.

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in profit or loss. The component of fair value changes relating to the Company's own credit risk is recognized in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realised. Other fair value changes relating to market risk are recognized in profit or loss.

The Preferred Shares were classified as non-current liabilities unless the Preferred Shares holders can demand the Company to redeem the Preferred Shares within 12 months after the end of the reporting period.

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.21.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (continued)

2.21 Current and deferred income tax (continued)

2.21.2 Deferred income tax inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.21.3 Deferred income tax outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

2.21.4 Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

2.22.1 Pension and social obligations

The Group companies operate various defined contribution plan in accordance with the local conditions and practices in which they operate. Defined contribution plans are pensions and the other social benefit plans under which the Group pay fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as labor costs when they are due.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (continued)

2.22 Employee benefits (continued)

2.22.2 Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.22.3 Bonus plans

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

2.22.4 Share-based payments

The Group operates share incentive plan, under which it receives services from employees, directors who has contributed or will contribute to the Group as consideration for equity instruments of the Group. The fair value of the services received in exchange for the grant of the equity instruments is recognized as an expense in the consolidated statements of comprehensive income with a corresponding increase in equity.

In terms of the shares, the total amount to be expensed is determined by reference to the fair value of equity instruments granted:

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions; and
- Including the impact of any non-vesting conditions.

Non-marketing performance and service conditions are included in calculation of the number of options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statements, with a corresponding adjustment to equity.

When the share options are exercised, the Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (continued)

2.23 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.24 Revenue recognition

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. The following is a description of the accounting policy for the Group's principal revenue streams:

The Group is a publisher of mobile games developed by itself or game developers. The Group publishes its self-developed mobile games or licensed mobile games from game developers and earns game operating revenue by publishing them to the game players through distribution channels, e.g. online application stores (such as Apple Inc.'s App Store ("Apple App") and Google LLC's Google Play ("Google App")), as well as web-based and mobile game portals, including the Group's own websites (collectively referred to as "Distribution Channels").

The games published by the Group are operated under free-to-play model whereby game players can play the games free of charge and are charged for the purchase of in-game virtual items via payment channels, such as the third-party internet payment systems (the "Payment Channels").

When the Group publishes mobile games developed by game developers, proceeds earned from selling in-game virtual items, are shared between the Group and the game developers, with the amount paid to the developers generally calculated based on amounts paid by players, after deducting the fees paid to Payment Channels and Distribution Channels and multiplied by a predetermined percentage for each game.

2.24 Revenue recognition (continued)

The Group evaluates agreements with the game players, game developers, Distribution Channels and Payment Channels in order to determine whether or not the Group acts as the principal or as an agent for the goods or service provided to the customer in the arrangement with each party respectively, which it considers in determining if relevant revenues should be reported gross or net of the predetermined amount of the proceeds shared with the other parties. The determination of whether to record the revenues gross or net is based on an assessment of various factors, including but not limited to whether the Group (i) is

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (continued)

2.24 Revenue recognition (continued) (continued)

primarily responsible for fulfilling the promise to provide the specified good or service. This typically includes responsibilities for acceptability of the specified good or service (for example, primary responsibility for the good or service meeting customer specification); (ii) has inventory risk before the specified good or service has been transferred to a customer, or after transferring the control to the customer (for example, if the customer has a right of return); (iii) has latitude in establishing the prices for the specified goods or services; (iv) has discretion in selection of suppliers.

2.24.1 Game operating revenue

During the Track Record Period, the Group takes primary responsibilities in game operation. The Group considered itself as a principal in game operating arrangements and recorded game operating revenues on a gross basis.

Under the arrangements that the Group takes primary responsibilities, the Group considered that (i) the Group is generally the initiator who raise ideas and plans for providing specification, modification or update of the game products or services desired by the game players; (ii) for licensed games, the Group has power to determine game content and to provide game services and products relating to gaming experience to game players; (iii) besides publishing, providing payment solution and marketing promotion, the Group has the right to determine the pricing of in-game virtual items or charge of game downloading (if needed), as well as the selection of Distribution Channels and the Payment Channels. Thus, the Group views game players to be its customers and considers itself as the principal to provide goods or service to game players. Accordingly, the Group records the online game revenue under such arrangements on a gross basis. Commission fees paid to Distribution Channels and Payment Channels and license fees paid to third party game developer (if any) are recorded as cost of revenues.

Where the Group is acting as a principal under the free-to-play model, the Group has determined that it is obligated to provide on-going services to game players, who purchased virtual items to gain an enhanced game-playing experience, and accordingly, the Group recognizes the revenues derive from sale of virtual items as below:

Consumable virtual items represent items that are extinguished after consumption in the form of fixed charges levied on each round of games played. The paying players will not continue to benefit from the virtual items thereafter. Revenue is recognized (as a release from contract liabilities) when the items are consumed and the related services are rendered.

Durable virtual items represent items that are accessible and beneficial to paying players over an extended period of time. Revenue is recognized ratably over the average life of durable virtual items for the applicable game, which the Group makes best estimates to be the average playing period of paying players ("Player Relationship Period").

The Group estimates the Player Relationship Period on a game-by-game basis. If there is insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, it estimates the Player Relationship Period based on other similar types of games developed by the Group or by third-party developers until the new game establishes its own patterns and history. The Group considers the games profile, target audience, and its appeal to players of different demographics groups in estimating the Player Relationship Period. While the Group believes its estimates to be reasonable based on available game player information, it may revise such estimates in the future as the games' operation periods change, sufficient individual game data become available, or there is indication that the similarities in

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (continued)

2.24 Revenue recognition (continued) (continued)

2.24.1 Game operating revenue (continued)

characteristics and playing patterns of paying players of the games change. Any adjustments arising from changes in Player Relationship Period would be applied prospectively on the basis that such changes are caused by new information indicating a change in game player behavior patterns.

2.24.2 Game licensing revenue

The Group derives revenue from licensing its self-developed games to game publishers, who operate the Group's mobile games in defined regions or countries within a specific period. The licensing fees normally comprise of non-refundable fixed licensing fees (either up-front or under specific payment schedule) and variable licensing fees calculated based on prescribed terms.

The Group has evaluated the respective roles and responsibilities of the Group and game publishers in the delivery of game experience to players and concluded that game publishers have the primary responsibility in these licensing arrangements as they are responsible for marketing and promotion of the games in the market, hosting the game servers, determining the price of the in-game virtual items, selection of distribution and payment channels and providing customer services, and therefore have exposure to the significant risks and rewards associated with the operation of these games under the licensing arrangements. Accordingly, the variable licensing fees (revenue share), which are calculated based on a prescribed percentage of the proceeds received from game publishers, are recognized as revenue on a net basis when the sales occur. The non-refundable fixed licensing fees are initially recorded as contract liabilities and are then recognized as revenue rateably over the license period as the licensing arrangements are considered to be right-to-access licensing arrangements.

2.24.3 Information service revenue

Information service revenue mainly represents revenue generated from in-game marketing and promotion services, which mainly comprises revenues derived from performance based in-game marketing and promotion services provided by the Group. Performance based marketing and promotion contracts are signed between the Group and advertisers or their agencies to establish the service to be provided by the Group and relevant performance measures.

Revenue from performance based in-game marketing and promotion services is recognized when relevant actual performance measures of in-game marketing and promotion services are fulfilled, such as delivery of download, purchase or registration etc.

2.24.4 Practical expedients applied

The Group generally expenses contract acquisition cost when incurred because the amortization period would have been 1 year or less. Accordingly, the Group does not capitalize any incremental costs to obtain a contract.

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed, as substantially all of the Group's contracts have a duration of 1 year or less.

2.25 Contract liabilities

Contract liabilities primarily consists of i) the unamortised revenue from sales of virtual items for mobile games, where there is still obligation to be provided by the Group to game players, and ii) the unamortised balance of the initial license fee paid by licensees.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (continued)

2.26 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Interest income from term deposits is included in "Interest income".

2.27 Government subsidies

Subsidies from government are recognized at their fair value where there is a reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions.

Government subsidies relating to costs are recognized in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

2.28 Leases

The Group leases offices, properties, land and buildings, and servers and other equipment as lessee. Rental contracts are typically made for fixed periods of 1 to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (continued)

2.28 Leases (continued)

- any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs, and

- restoration costs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases of the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Payments associated with short-term leases are recognized on a straight-line basis as an expense in consolidated statements of comprehensive income. Short-term leases are leases with a lease term of 12 months or less and leases with a remaining term of 12 months or less as of the date of initial adoption of IFRS 16.

The right-of-use assets and the lease liabilities are present separately on the consolidated statement of financial position.

The Group applied the practical expedient by electing not to separate the non-lease components, such as maintenance services provided by the landlord from lease components for the property rental contacts, and instead account for each lease component and any associated non-lease components as a single lease component.

2.29 Dividends distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (continued)

3.1 Financial risk factors

(a) Market risk

Foreign exchange risk

The Group operates internationally through overseas publishers and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk primarily arose from recognized assets and liabilities when receiving or to receive foreign currencies from overseas counterparties. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts during the Track Record Period.

For the Group's subsidiaries in mainland China whose functional currency is RMB, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, net profits would have been approximately RMB0.38 million, RMB0.32 million, RMB22.78 million and RMB31.98 million higher/lower for the years ended December 31, 2018, 2019 and 2020, and six months ended June 30, 2021, respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in USD, regardless of the foreign exchange forward contracts.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible and may enter into forward foreign exchange contracts, when necessary.

Price risk

The Group is exposed to price risk in respect of long-term and short-term investments measured at fair value through profit or loss held by the Group. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis. The sensitivity analysis is performed by management, see Note 3.3 for detail.

Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents, other receivables from related parties and third parties, and details of which have been disclosed in Note 24, 21, 36(c).

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, short-term investments measured at amortised cost, trade receivables, deposits and other assets. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Credit risk of cash and cash equivalents

To manage risk arising from cash and cash equivalents, the Group only transacts with state-owned or reputable financial institutions in mainland China. There has been no recent history of default in relation to these financial institutions. The expected credit loss is immaterial.

(ii) Credit risk of trade receivables

Trade receivables at the end of each reporting period were due from Distribution Channels and game publishers, as well as due from information service customers. If the strategic relationship with Distribution Channels and game publishers and information service customers are terminated or scaled-back; or if Distribution Channels and game publishers and information service customers alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's corresponding trade receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with Distribution Channels and game publishers and information service customers to ensure the effective credit control. In view of the history of cooperation with Distribution Channels and game publishers and information service customers and the sound collection history of receivables due from them, the directors of the Group believe that the credit risk inherent in the Group's outstanding trade receivable balances due from Distribution Channels and game publishers and information service customers is low.

(iii) Credit risk of deposits and other assets

For deposits and other assets, management makes periodic collective assessments as well as individual assessment on the recoverability of deposits and other assets based on historical settlement records and past experiences.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counter party's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counter party;
- significant increases in credit risk on other financial instruments of the same counter party;

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Credit risk of deposits and other assets (continued)

- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and

- significant changes in the expected performance and behavior of the counter party, including changes in the payment status of debtor in the Group and changes in the operating results of the counter party.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

A default on a financial asset is when the counterparty fails to make contractual payments/repayable demanded within 180 days of when they fall due.

The Group makes periodic assessment on the credit risk of the deposits and other assets based on the history of cooperation with counterparties settlement records and past experience, the directors believe that the credit risk inherent in the outstanding deposits and other assets due from the debtors is low and has not increased significantly since initial recognition. Based on the assessment, the directors believe that allowance for impairment of deposits and other assets is immaterial to the Group.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories deposits and other assets for write off when a debtor fails to make contractual payments/repayable demanded greater than 720 days past due. Where deposits and other assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 year	Between 2 and 5 year	Over 5 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of December 31, 2018					
Trade payables	3,144	–	–	–	3,144
Other payables and accruals (excluding salaries and benefits payable, and other tax payables)	176	–	–	–	176
Lease liabilities	1,124	1,125	–	–	2,249
	4,444	**1,125**	**–**	**–**	**5,569**

	Less than 1 year	Between 1 and 2 year	Between 2 and 5 year	Over 5 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of December 31, 2019					
Trade payables	1,908	–	–	–	1,908
Other payables and accruals (excluding salaries and benefits payable, and other tax payables)	101	–	–	–	101
Lease liabilities	2,349	–	–	–	2,349
	4,358	**–**	**–**	**–**	**4,358**

	Less than 1 year	Between 1 and 2 year	Between 2 and 5 year	Over 5 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of December 31, 2020					
Trade payables	13,329	–	–	–	13,329
Other payables and accruals (excluding salaries and benefits payable, and other tax payables)	455	–	–	–	455
Lease liabilities	3,666	3,760	3,813	–	11,239
	17,450	**3,760**	**3,813**	**–**	**25,023**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year	Between 1 and 2 year	Between 2 and 5 year	Over 5 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of June 30, 2021					
Trade payables	39,647	–	–	–	39,647
Other payables and accruals (excluding salaries and benefits payable, and other tax payables)	18,324	–	–	–	18,324
Lease liabilities	2,794	3,773	2,860	–	9,427
Financial liabilities at fair value through profit or loss	65	–	–	–	65
	60,830	**3,773**	**2,860**	**–**	**67,463**

Details of the description of financial instruments issued to investors and convertible redeemable preferred shares are presented in Note 29 and 30.

3.2 Capital management

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

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low.

3.3 Fair value estimation

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

(a) Fair value hierarchy

The table below analyzes the Group's financial instruments carried at fair value as of December 31, 2018, 2019 and 2020, and June 30, 2021, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Fair value hierarchy (continued)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments mainly include:

- Quoted market prices or dealer quotes for similar instruments;

- The fair value of foreign currency forward contracts is determined using forward exchange rates at each of the balance sheet dates;

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2018.

		Level 1	**Level 2**	**Level 3**	**Total**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of December 31, 2018					
Financial assets					
Short-term investments measured at fair value through profit or loss					
— Investment funds (i)		–	15,143	–	15,143
Long-term investments measured at fair value through profit or loss	19	–	–	1,100	1,100
		–	**15,143**	**1,100**	**16,243**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Fair value hierarchy (continued)

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2019.

	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of December 31, 2019					
Financial assets					
Short-term investments measured at fair value through profit or loss					
— Investment funds (i)		–	10,818	–	10,818
Long-term investments measured at fair value through profit or loss	19	–	–	21,646	21,646
		–	**10,818**	**21,646**	**32,464**

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2020.

	Note	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of December 31, 2020					
Financial assets					
Short-term investments measured at fair value through profit or loss					
— Investment funds (i)		–	1,059	–	1,059
Derivative financial instruments—Foreign currency forward contracts (iii)		–	240	–	240
Long-term investments measured at fair value through profit or loss	19	–	–	77,800	77,800
		–	**1,299**	**77,800**	**79,099**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Fair value hierarchy (continued)

The following table presents the Group's assets and liabilities that are measured at fair value as of June 30, 2021.

		Level 1	Level 2	Level 3	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of June 30, 2021					
Financial assets					
Short-term investments measured at fair value through profit or loss					
— Investment funds (i)		–	1,097	–	1,097
— Wealth management products issued by commercial banks (ii)		–	–	30,018	30,018
Long-term investments measured at fair value through profit or loss	19	–	–	134,716	134,716
		–	**1,097**	**164,734**	**165,831**
Financial liabilities					
Derivative financial instruments—Foreign currency forward contracts (iii)		–	65	–	65
Convertible redeemable preferred shares	30	–	–	1,770,020	1,770,020
		–	**65**	**1,770,020**	**1,770,085**

Short-term investments measured at fair value through profit or loss included investment funds, wealth management products issued by commercial banks and foreign currency forward contracts. Financial liabilities measured at fair value through profit or loss included Convertible redeemable Preferred Shares (Note 30) and foreign currency contracts (iii).

(i) Investment funds' principal and returns are not guaranteed. The Group invested in investment funds which holds a combination of term deposits, securities and futures. The fair values of the financial assets were recognized based on the periodic reports from investment funds and were within level 2 of the fair value hierarchy. Changes in fair value of these financial assets had been recognized in "Fair value changes on investments measured at fair value through profit or loss" in the consolidated statements of comprehensive income.

(ii) The Group purchased certain wealth management products issued by certain major commercial banks in the PRC. The Group has classified its investments in such wealth management products as financial assets at fair value through profit or loss. Fair values of these investments were estimated based on expected return of each wealth management products held by the Group and were within level 3 of the fair value hierarchy.

(iii) The Group entered into foreign exchange forward contracts to manage its foreign currency exposure. The outstanding notional amount of foreign exchange forward contracts as of December 31, 2020 and June 30, 2021 were USD 10 million and USD 6 million respectively that due in one year. Fair value gain amounting to RMB 0.24 million for the year ended December 31, 2020 and fair value gain amounting to RMB 0.99 million for six months ended June 30, 2021, were recognized in profit or loss, respectively. The

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(a) Fair value hierarchy (continued)

Group recognized current financial assets measured at FVPL and current financial liabilities measured at FVPL accordingly in the respective periods. Changes in fair value of these foreign exchange forward contracts had been recognized in "Fair value changes on investments measured at fair value through profit or loss" in the consolidated statements of comprehensive income.

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

The following table presents the changes in level 3 items including investments in unlisted companies and private equity funds for the years ended December 31, 2018, 2019 and 2020, and six months ended June 30, 2021. Details of the movements and significant unobservable inputs used in Convertible redeemable Preferred Shares are set out in Note 30.

Investments in unlisted companies and private equity funds

	Year ended December 31,			Six months ended June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	**1,100**	**1,100**	**21,646**	**77,800**
Addition	–	20,833	56,234	56,000
Changes in fair value	–	(287)	(80)	916
At the end of the year/period	**1,100**	**21,646**	**77,800**	**134,716**
Net unrealized (losses)/gains	–	(287)	(80)	916

Wealth management products issued by commercial banks

	Year ended December 31,			Six months ended June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	**–**	**–**	**–**	**–**
Addition	–	–	–	30,000
Changes in fair value	–	–	–	18
At the end of the year/period	**–**	**–**	**–**	**30,018**
Net unrealized gains	–	–	–	18

(c) Valuation process and techniques

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once a year,

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(c) Valuation process and techniques (continued)

the team uses valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

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

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

There were no change to valuation techniques during the Track Record Period. Details of the movements and significant unobservable inputs and major assumptions used in the valuation for Convertible redeemable Preferred Shares are presented in Note 30.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(d) Valuation inputs and relationship to fair value

The Group's valuation techniques mainly included market approach. The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair value at December 31, 2018	Fair value at December 31, 2019	Fair value at December 31, 2020	Fair value at June 30, 2021	Unobservable inputs	Range of inputs December 31, 2018	Range of inputs December 31, 2019	Range of inputs December 31, 2020	Range of inputs June 30, 2021	Relationship of unobservable inputs to fair value
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*						
Investments in unlisted companies and private equity funds	1,100	21,646	77,800	134,716	Expected volatility	–	40.30%-62.05%	44.79%-72.05%	43.79%-58.71%	The higher the expected volatility, the higher the fair value
					Discount for lack of marketability ("DLOM")	–	30.00%	30%-40%	30.00%	The higher the DLOM, the lower the fair value
Wealth management products issued by commercial bank	–	–	–	30,018	Expected return rate	–	–	–	1.5%-3.32%	The higher expected return rate, the higher fair value

If expected volatility is 10% higher, the fair value of investments in unlisted companies will be RMB0.31 million, RMB0.61 million and RMB1.22 million higher for the years ended December 31, 2019, 2020 and six months ended June 30, 2021 respectively, and the profit after tax will be RMB0.27 million, RMB0.53 million and RMB0.92 million higher respectively.

If expected volatility is 10% lower, the fair value of investments in unlisted companies will be RMB0.31 million, RMB0.48 million and RMB1.00 million lower for the years ended December 31, 2019, 2020 and six months ended June 30, 2021 respectively, and the profit after tax will be RMB0.27 million, RMB0.42 million and RMB0.75 million lower respectively.

If discount for lack of marketability ("DLOM") is 10% higher or lower, the fair value of investments in unlisted companies will be RMB0.1 million, RMB0.2 million and RMB2.67 million lower or higher for the years ended December 31, 2019 and 2020, six months ended June 30, 2021, respectively, and the profit after tax will be RMB0.1 million, RMB0.2 million and RMB2.01 million lower or higher respectively.

If expected rate of return is 10% higher/lower, the fair value of wealth management products issued by commercial banks will be RMB1.8 thousand higher/lower for the six months ended June 30, 2021, and profit after tax will be RMB1.6 thousand higher/lower.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Estimates of Player Relationship Period in the Group's online game services

As described in Note 2.24, the Group recognizes certain revenue from sale of virtual items in online game services ratably over the Player Relationship Period. The determination of Player Relationship Period in each game is made based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for as a change in accounting estimate.

4.2 Determination of fair value of long-term and short-term investments

The fair value of long-term and short-term investments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets (Note 3.3).

4.3 Principal versus agent considerations

Pursuant to game publishing and operation arrangements signed between the Group and the third party game developers or Distribution Channels, the Group's responsibilities in publishing and operating the licensed games vary for each game. The determination of whether to record these revenues using gross or net basis is based on an assessment of various factors, including but not limited to whether the Group (i) is the primary obligor to the game developers and game players in the arrangements; (ii) has latitude in establishing the selling price of virtual items; (iii) changes the products or performs part of the services; (iv) has involvement in the determination of product and service specifications; and (v) has the rights to determine Distribution Channels and Payment Channels.

4.4 Expected credit loss for receivables

The impairment provisions for trade receivables and other receivables are based on assumptions about the expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's history, existing market conditions as well as forward-looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 3.1(b) and Note 22. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statements of comprehensive income.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4 Critical accounting estimates and judgments (continued)

4.5 Income tax

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

4.6 Fair value of convertible redeemable preferred shares

The convertible redeemable preferred shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group applied the discounted cash flow method to determine the underlying equity value method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Details of the valuation models, key assumptions and inputs are disclosed in Note 30.

5 Segment information and revenue

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions. As a result of this evaluation, the directors of the Company consider that the Group's operation is operated and managed as a single segment and no segment information is presented, accordingly.

As at December 31, 2018, 2019 and 2020, and June 30, 2020 and 2021, substantially all of the non-current assets of the Group were located in the PRC.

The Group considered itself as an agent in arrangements of "Game Licensing revenue" and "Information service revenue", and recorded revenue on a net basis; whereas, the Group considered itself as a principal in arrangements of "Game operating revenues", and recorded revenue on a gross basis.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5 Segment information and revenue (continued)

Revenue for the years ended December 31, 2018, 2019 and 2020, six months ended June 30, 2020 and 2021 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Game operating revenues					
— Self-developed	35,481	43,318	1,082,298	62,085	496,391
— Licensed	15,110	10,054	11,150	4,052	233,242
Subtotal	**50,591**	**53,372**	**1,093,448**	**66,137**	**729,633**
Game Licensing revenue	47,822	33,582	58,576	14,198	18,930
Information service revenue	8	1,750	74,896	8,215	14,387
Total revenues	**98,421**	**88,704**	**1,226,920**	**88,550**	**762,950**
Cost of revenues	(21,670)	(19,967)	(284,565)	(34,728)	(188,428)
Gross profit	**76,751**	**68,737**	**942,355**	**53,822**	**574,522**

Revenues of approximately RMB48 million, RMB35 million and RMB134 million, RMB22 million and RMB34 million for the years ended December 31, 2018, 2019 and 2020, six months ended June 30, 2020 and 2021, respectively, were from five largest single customers.

The following table summarizes the percentage of revenue from one single customer individually exceeding 10% of the Group's revenue during the year ended December 31, 2018, 2019 and 2020, six months ended June 30, 2020 and 2021, respectively. Customer A is also one of the Groups related parties, refer to Note 36(b)(i).

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Total revenues					
Customer A	45%	36%	*	15%	*

* The amounts of revenue from corresponding customer were less than 10% of the total revenue for the relevant periods.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5 Segment information and revenue (continued)

The table below sets forth a breakdown of the Group's total revenues by geographical areas for the years ended December 31, 2018, 2019 and 2020, six months ended June 30, 2020 and 2021, respectively:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Mainland China	67,044	62,686	1,178,903	80,353	742,945
Outside Mainland China (a)	31,377	26,018	48,017	8,197	20,005
Total	**98,421**	**88,704**	**1,226,920**	**88,550**	**762,950**

(a) Outside Mainland China revenue mainly include revenue from local versions operated in America, Hong Kong, Taiwan and Macau.

The table below sets forth a breakdown of the Group's revenue by timing of recognition for the years ended December 31, 2018, 2019 and 2020, six months ended June 30, 2020 and 2021, respectively:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Service transferred at a point of time	47,267	49,333	632,975	55,483	373,472
Service transferred overtime	51,154	39,371	593,945	33,067	389,478
Total	**98,421**	**88,704**	**1,226,920**	**88,550**	**762,950**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6 Expenses by nature

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Marketing and promotion expenses	10,013	11,277	524,259	182,964	233,170
Commissions charged by distribution channels	13,787	12,899	243,710	26,162	130,170
Employee benefits expenses (Note 7)	31,951	37,328	226,319	17,745	36,074
Share-based compensation (a)	14,000	–	56,017	8,965	–
Bandwidth and server custody fee	1,293	1,996	16,022	4,501	12,902
Professional services fee	90	89	2,670	83	1,161
Outsourced technical services	281	676	5,925	423	6,508
Commissions charged by game developers	5,180	2,922	2,430	1,277	33,210
Commissions charged by payment channel	142	169	5,397	640	1,653
Rental expenses and utilities	161	425	395	82	348
Depreciation of right-of-use assets	1,045	1,631	2,218	1,109	1,732
Net impairment losses on financial assets	657	170	(364)	(688)	(71)
Depreciation of property, plant and equipment (Note 14)	434	310	367	152	462
	[REDACTED]				
Tax surcharges	494	302	3,764	320	2,275
Office expenses	807	1,013	3,158	826	4,953
Others	304	601	134	79	420
Total	**80,639**	**71,808**	**1,092,421**	**244,640**	**480,137**

(a) Pursuant to the shareholders' resolution on December 25, 2018, Mr. Yang Xu transferred 3.5% shares of QC Digital to Mr. Huang Zhiqiang (CEO of QC Digital) with a consideration of RMB 1 Yuan to reward Mr. Huang Zhiqiang's contribution and performance in past years. The fair value of the transferred shares of RMB 14 million was recognized as share-based compensation expenses accordingly.

In February 2020, subscription right for 8% shares of QC Digital were granted to two senior managements with performance conditions and agreed exercise price. The two senior managements completed performance conditions in December 2020 and injected capitals into QC Digital through their holding vehicle with the agreed exercise price. The fair value of the share option at grant date were recognized as share-based compensation expenses accordingly, and recorded over the period from February 2020 to December 2020, amounting to approximately RMB 22 million.

In December 2020, 2% shares of QC Digital were granted to a senior management upon signing employment offer with agreed exercise price. The senior management completed capital injection in the same month with the agreed exercise price. The fair value of the share option at grant date was recognized as share-based compensation expenses accordingly in December 2020, amounting to approximately RMB 34 million.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

7 Employee benefits expenses (including directors' emoluments)

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Share–based compensation (Note 6)	14,000	–	56,017	8,965	–
Wages, salaries and bonuses	26,149	31,857	218,749	15,422	30,379
Pension and other social security costs	3,923	4,072	3,558	1,552	2,810
Other benefits	1,879	1,399	4,012	771	2,885
Total	**45,951**	**37,328**	**282,336**	**26,710**	**36,074**

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

	Year ended December 31, 2018				
	Wages and salaries	Bonuses	Pension and other social security costs	Share–based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman					
Yang Xu	341	48	33	–	422
Executive directors					
Huang Zhiqiang	245	14	33	14,000	14,292
Zeng Xiangshuo	200	170	31	–	401
Total	**786**	**232**	**97**	**14,000**	**15,115**

	Year ended December 31, 2019				
	Wages and salaries	Bonuses	Pension and other social security costs	Share–based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman					
Yang Xu	570	1,048	36	–	1,654
Executive directors					
Huang Zhiqiang	460	1,046	36	–	1,542
Zeng Xiangshuo	390	162	36	–	588
Total	**1,420**	**2,256**	**108**	**–**	**3,784**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

7 Employee benefits expenses (including directors' emoluments) (continued)

(a) Directors' and chief executive's emoluments (continued)

	Year ended December 31, 2020				
	Wages and salaries	Bonuses	Pension and other social security costs	Share–based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman					
Yang Xu	1,166	30,145	27	–	31,338
Executive directors					
Huang Zhiqiang	1,280	24,144	27	18,827	44,278
Zeng Xiangshuo	747	10,250	27	3,586	14,610
Total	**3,193**	**64,539**	**81**	**22,413**	**90,226**

	Six months ended June 30, 2020 (Unaudited)				
	Wages and salaries	Bonuses	Pension and other social security costs	Share-based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman					
Yang Xu	219	–	13	–	232
Executive directors					
Huang Zhiqiang	207	–	13	7,531	7,751
Zeng Xiangshuo	195	–	13	1,434	1,642
Total	**621**	**–**	**39**	**8,965**	**9,625**

	Six months ended June 30, 2021				
	Wages and salaries	Bonuses	Pension and other social security costs	Share-based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman					
Yang Xu	1,029	–	15	–	1,044
Executive directors					
Huang Zhiqiang	1,265	–	15	–	1,280
Zeng Xiangshuo	628	–	15	–	643
Liu Siming	654	–	38	–	692
Total	**3,576**	**–**	**83**	**–**	**3,659**

(i) Benefits and interests of directors

Save as disclosed above, there is no other benefit offered to the other directors.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

7 Employee benefits expenses (including directors' emoluments) (continued)

(a) Directors' and chief executive's emoluments (continued)

(ii) Directors' retirement and termination benefits

No director's retirement or termination benefit subsisted at the end of each period disclosed or at any time during the Track Record Period.

(iii) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available director's services subsisted at the end of each period disclosed or at any time during the Track Record Period.

(iv) Information about borrowings, quasi-borrowings and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors.

Except for the amounts due from directors of the Company as disclosed in Note 36, there are no loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(v) Directors' material interests in transactions, arrangements or contracts

Except for the transactions as disclosed in Note 36, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of each period disclosed or at any time during the Track Record Period.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2018, 2019 and 2020, and six months ended June 30, 2020 and 2021, include 1, 2, 3, 2 and 4 directors respectively, whose emoluments are reflected in the analysis presented above. The aggregate amounts of emoluments for the remaining 4, 3, 2, 3 and 1 individuals for each of the years ended December 31, 2018, 2019 and 2020, and six months ended June 30, 2020 and 2021, respectively, are set out below:

	Year ended December 31,			**Six months ended June 30,**	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Wages and salaries	1,043	1,118	1,091	658	664
Bonuses	1,500	1,657	22,185	–	–
Pension and other social security costs	244	182	40	55	33
Share-based compensation	–	–	33,604	–	–
Total	**2,787**	**2,957**	**56,920**	**713**	**697**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

7 Employee benefits expenses (including directors' emoluments) (continued)

(b) Five highest paid individuals (continued)

	Number of individuals				
	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Emolument bands (in HKD)					
HKD0 – HKD500,000	–	–	–	3	–
HKD500,001 – HKD1,000,000	4	2	–	–	1
HKD1,500,001 – HKD2,000,000	–	1	–	–	–
HKD14,500,001 – HKD15,000,000	–	–	1	–	–
HKD36,000,001 – HKD36,500,000	–	–	1	–	–
Total	**4**	**3**	**2**	**3**	**1**

8 Fair value changes on investments measured at fair value through profit or loss

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Fair value changes in long-term investments measured at fair value through profit or loss (Note 3.3 & Note 19)	–	(287)	(80)	(67)	916
Fair value changes in short-term investments measured at fair value through profit or loss (Note 23)	143	822	674	506	1,046
	143	**535**	**594**	**439**	**1,962**

9 Other income

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Interest income from loans to third parties and related parties	1,458	1,368	2,627	1,159	–
Interest income from financial assets at amortised cost	634	1,205	1,090	1,042	–
Investment return from wealth management products issued by commercial banks	–	–	–	–	120
Subsidies	4,950	3,821	7,689	2,606	2,797
Total	7,042	6,394	11,406	4,807	2,917

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

9 Other income (continued)

The subsidies are mainly government subsidies and VAT-in super deduction. There are no unfilled conditions or contingencies related to the above government subsidies.

10 Other gains/(losses), net

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Foreign exchange gain/(loss), net	1,235	1,681	(24,712)	1,251	(4,005)
Donations to charity organizations	–	–	(2,254)	(1,261)	(187)
Dividend distribution	–	–	–	–	8
Others	27	60	(105)	(3)	27
Total	**1,262**	**1,741**	**(27,071)**	**(13)**	**(4,157)**

11 Finance (costs)/income, net

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Finance income					
Interest income from bank deposits	53	47	795	48	697
Finance costs					
Interest expenses on lease liabilities	(136)	(124)	(74)	(49)	(237)
Bank charges	(15)	(14)	(29)	(16)	(46)
Finance (costs)/income, net	**(98)**	**(91)**	**692**	**(17)**	**414**

12 Income Tax

Cayman Islands

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

British Virgin Islands

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

12 Income Tax (continued)

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit in respect of operations in Hong Kong.

PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the Track Record Period.

QC Digital and QC Cultural are accredited as a "software enterprise" under the relevant PRC Laws and regulations. They are exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years (the "tax holiday") since 2017 and 2020 respectively.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the Track Record Period.

PRC Withholding Tax ("WHT")

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

Since the Group intends to permanently reinvest earnings from QC Digital Group to further expand its businesses in PRC after the Reorganization, it does not intend to declare dividends to its immediate foreign holding entities in the foreseeable future. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each reporting period. Cumulative undistributed earnings of the Company's PRC subsidiaries intended to be permanently reinvested were RMB137 million as of June 30, 2021.

The income tax of the Group for the years ended December 31, 2018, 2019 and 2020, and the six months periods ended June 30, 2020 and 2021 is analyzed as follows:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Current income tax	3,295	658	8,756	687	4,553
Deferred income tax (Note 16)	(1,879)	371	821	1,217	(14,081)
Total income tax expenses/(credits)	**1,416**	**1,029**	**9,577**	**1,904**	**(9,528)**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

12 Income Tax (continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2018, 2019 and 2020, six months ended June 30, 2020 and 2021, being the statutory income tax rate of the major subsidiaries of the Group.

The difference is analyzed as follows:

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Profit/(loss) before income tax	26,276	20,654	113,316	(154,276)	(103,313)
Tax calculated at statutory income tax rate of 25% in mainland China	6,569	5,164	28,329	(38,569)	(25,828)
Tax effects of:					
Effect of different tax rates available to different jurisdictions	–	–	(1,061)	–	87,495
Preferential income tax rates applicable to subsidiaries	(4,867)	(2,806)	(92,081)	(2,356)	(85,624)
Expenses not deductible for income tax purposes	3,969	680	13,635	1,328	1,041
Tax effect of losses from financial instruments issued to investors	–	333	800	400	6,741
Super Deduction for research and development expenses	(4,245)	(2,422)	(16,985)	(1,371)	(2,590)
Tax losses for which no deferred income tax assets were recognized	27	61	25	14	5
Temporary differences for which no deferred income tax assets were recognized, net (a)	(37)	19	76,915	42,458	9,232
Total income tax expenses/(credits)	**1,416**	**1,029**	**9,577**	**1,904**	**(9,528)**

(a) In the year ended December 31, 2020 and the six months ended June 30, 2021, RMB 307 million and RMB40 million of the Group's marketing and promotion expenses exceeding 15 percent of total revenue which can be deducted in future years were not recognized.

13 Earnings/(Loss) per share

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to ordinary shareholders of the Company by the weighted average number of outstanding shares during the Track Record Period.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

13 Earnings/(Loss) per share (continued)

(a) Basic earnings/(loss) per share (continued)

For the purpose of computing basic and diluted earnings/(loss) per share, 9,530,575 ordinary shares issued in the Reorganisation were assumed to have been issued and allocated on January 1, 2018 as if the Company has been established by then. The weighted average number of ordinary shares has been retrospectively adjusted for the effect of the issuance of shares in connection with the Reorganisation completed on May 26, 2021.

Redeemable shares that are contingently returnable are not treated as outstanding and are excluded from the calculation of basic earnings/(loss) per share.

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Profit/(loss) attributable to ordinary shareholders of the Company (RMB'000)	24,860	19,625	103,739	(156,180)	(93,785)
Weighted average number of outstanding ordinary shares	9,530,575	9,530,575	9,530,575	9,530,575	9,530,575
Basic earnings/(loss) per share (RMB)	2.61	2.06	10.88	(16.39)	(9.84)

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of outstanding ordinary shares to assume conversion of all dilutive potential ordinary shares. For the six months ended June 30, 2021, the Company had convertible redeemable preferred shares (Note 30) that are potential ordinary shares. Diluted loss per share presented is the same as the basic earnings/(loss) per share as the inclusion of potential ordinary shares in the calculation of diluted earnings/(loss) per share would be anti-dilutive.

14 Property, plant and equipment

	Servers and other equipment	Furniture and appliances	Vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2018				
Cost	1,170	1,183	567	2,920
Accumulated depreciation	(931)	(690)	(54)	(1,675)
Net book amount	239	493	513	1,245
Year ended December 31, 2018				
Opening net book amount	239	493	513	1,245
Additions	–	55	–	55
Depreciation	(138)	(188)	(108)	(434)
Disposal	–	(5)	–	(5)
Closing net book amount	101	355	405	861
At December 31, 2018				
Cost	1,170	1,212	567	2,949
Accumulated depreciation	(1,069)	(857)	(162)	(2,088)
Net book amount	**101**	**355**	**405**	**861**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

14 Property, plant and equipment (continued)

	Servers and other equipment	Furniture and appliances	Vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019				
Cost	1,170	1,212	567	2,949
Accumulated depreciation	(1,069)	(857)	(162)	(2,088)
Net book amount	101	355	405	861
Year ended December 31, 2019				
Opening net book amount	101	355	405	861
Additions	–	470	–	470
Depreciation	(101)	(101)	(108)	(310)
Disposal	–	(4)	–	(4)
Closing net book amount	–	720	297	1,017
At December 31, 2019				
Cost	1,170	1,673	567	3,410
Accumulated depreciation	(1,170)	(953)	(270)	(2,393)
Net book amount	**–**	**720**	**297**	**1,017**

	Servers and other equipment	Furniture and appliances	Vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2020				
Cost	1,170	1,673	567	3,410
Accumulated depreciation	(1,170)	(953)	(270)	(2,393)
Net book amount	–	720	297	1,017
Year ended December 31, 2020				
Opening net book amount	–	720	297	1,017
Additions	–	1,339	2,142	3,481
Depreciation	–	(268)	(99)	(367)
Disposal	–	–	(200)	(200)
Closing net book amount	–	1,791	2,140	3,931
At December 31, 2020				
Cost	1,170	3,012	2,140	6,322
Accumulated depreciation	(1,170)	(1,221)	–	(2,391)
Net book amount	**–**	**1,791**	**2,140**	**3,931**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

14 Property, plant and equipment (continued)

	Servers and other equipment	Furniture and appliances	Vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)				
At January 1, 2020				
Cost	1,170	1,673	567	3,410
Accumulated depreciation	(1,170)	(953)	(270)	(2,393)
Net book amount	–	720	297	1,017
Six months ended June 30, 2020				
Opening net book amount	–	720	297	1,017
Additions	–	472	–	472
Depreciation	–	(98)	(54)	(152)
Closing net book amount	–	1,094	243	1,337
At June 30, 2020				
Cost	1,170	2,145	567	3,882
Accumulated depreciation	(1,170)	(1,051)	(324)	(2,545)
Net book amount	**–**	**1,094**	**243**	**1,337**

	Servers and other equipment	Furniture and appliances	Vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2021				
Cost	1,170	3,012	2,140	6,322
Accumulated depreciation	(1,170)	(1,221)	–	(2,391)
Net book amount	–	1,791	2,140	3,931
Six months ended June 30, 2021				
Opening net book amount	–	1,791	2,140	3,931
Additions	–	1,169	2,862	4,031
Depreciation	–	(213)	(249)	(462)
Closing net book amount	–	2,747	4,753	7,500
At June 30, 2021				
Cost	1,170	4,181	5,002	10,353
Accumulated depreciation	(1,170)	(1,434)	(249)	(2,853)
Net book amount	**–**	**2,747**	**4,753**	**7,500**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

14 Property, plant and equipment (continued)

Depreciation expenses have been charged to the consolidated statements of comprehensive income as follows:

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Cost of revenues	138	101	87	47	120
General and administrative expenses	296	209	280	105	342
	434	**310**	**367**	**152**	**462**

15 Right-of-use assets

	Properties
	RMB'000
At January 1, 2018	
Cost	4,180
Accumulated depreciation	(1,045)
Net book amount	3,135
Year ended December 31, 2018	
Opening net book amount	3,135
Depreciation (Note 6)	(1,045)
Closing net book amount	2,090
At December 31, 2018	
Cost	4,180
Accumulated depreciation	(2,090)
Net book amount	**2,090**

	Properties
	RMB'000
At January 1, 2019	
Cost	4,180
Accumulated depreciation	(2,090)
Net book amount	2,090
Year ended December 31, 2019	
Opening net book amount	2,090
Additions	1,759
Depreciation (Note 6)	(1,631)
Closing net book amount	2,218
At December 31, 2019	
Cost	5,939
Accumulated depreciation	(3,721)
Net book amount	**2,218**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

15 Right-of-use assets (continued)

	Properties
	RMB'000
At January 1, 2020	
Cost	5,939
Accumulated depreciation	(3,721)
Net book amount	2,218
Year ended December 31, 2020	
Opening net book amount	2,218
Additions	10,394
Depreciation (Note 6)	(2,218)
Closing net book amount	**10,394**
At December 31, 2020	
Cost	16,333
Accumulated depreciation	(5,939)
Net book amount	**10,394**

	Properties
(Unaudited)	*RMB'000*
At January 1, 2020	
Cost	5,939
Accumulated depreciation	(3,721)
Net book amount	2,218
Six months ended June 30, 2020	
Opening net book amount	2,218
Depreciation (Note 6)	(1,109)
Closing net book amount	1,109
At June 30, 2020	
Cost	5,939
Accumulated depreciation	(4,830)
Net book amount	1,109

	Properties
	RMB'000
At January 1, 2021	
Cost	16,333
Accumulated depreciation	(5,939)
Net book amount	10,394
Six months ended June 30, 2021	
Opening net book amount	10,394
Depreciation (Note 6)	(1,732)
Closing net book amount	8,662
At June 30, 2021	
Cost	16,333
Accumulated depreciation	(7,671)
Net book amount	8,662

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

15 Right-of-use assets (continued)

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

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets	1,045	1,631	2,218	1,109	1,732
Interest expenses	136	124	74	49	237
Expenses relating to short-term leases	161	425	395	82	348
The cash outflow for leases payment related to short-term lease as operating activities	161	425	395	82	348
The cash outflow for leases as financing activities	1,267	1,737	2,349	1,242	1,812

16 Deferred income taxes

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

Deferred tax assets

	As of December 31,			As of June 30,
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The balance comprises temporary differences attributable to:				
— Right-of-use assets and lease liabilities	5	7	–	20
— Tax losses	1,189	1,288	434	–
— Long-term investments measured at fair value through profit or loss	–	36	46	–
—Marketing and promotion expenses	–	–	–	14,066
— Loss allowance for financial assets	97	110	7	4
— Contract liabilities	1,624	752	583	885
— Temporary difference related to payroll payables	920	1,356	1,743	1,955
Total gross deferred tax assets	**3,835**	**3,549**	**2,813**	**16,930**
Set-off of deferred tax liabilities pursuant to set-off provisions	(18)	(103)	(188)	(231)
Net deferred tax assets	**3,817**	**3,446**	**2,625**	**16,699**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

16 Deferred income taxes (continued)

	As of December 31,			As of June 30,
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
— to be recovered within 12 months	3,731	3,446	2,625	3,649
— to be recovered after 12 months	86	–	–	13,050
	3,817	**3,446**	**2,625**	**16,699**

Deferred tax liabilities

	As of December 31,			As of June 30,
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The balance comprises temporary differences attributable to:				
— Long term investments measured at fair value through profit or loss	–	–	–	69
— Short term investments measured at fair value through profit or loss	18	103	188	162
Total gross deferred tax liabilities	**18**	**103**	**188**	**231**
Set-off of deferred tax assets pursuant to set-off provisions	(18)	(103)	(188)	(231)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

16 Deferred income taxes (continued)

Deferred tax assets

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

	Tax losses	Loss allowance for financial assets	Long term investments measured at fair value through profit or loss	Marketing and promotion expenses	Right-of-use assets and lease liabilities	Contract liabilities	Temporary difference related to payroll payables	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2018	874	90	–	–	16	587	371	1,938
(Credited)/charged to consolidated income statement	315	7	–	–	(11)	1,037	549	1,897
At December 31, 2018	**1,189**	**97**	**–**	**–**	**5**	**1,624**	**920**	**3,835**
At January 1, 2019	1,189	97	–	–	5	1,624	920	3,835
(Credited)/charged to consolidated income statement	99	13	36	–	2	(872)	436	(286)
At December 31, 2019	**1,288**	**110**	**36**	**–**	**7**	**752**	**1,356**	**3,549**
At January 1, 2020	1,288	110	36	–	7	752	1,356	3,549
(Credited)/charged to consolidated income statement	(854)	(103)	10	–	(7)	(169)	387	(736)
At December 31, 2020	**434**	**7**	**46**	**–**	**–**	**583**	**1,743**	**2,813**
(Unaudited)								
At January 1, 2020	1,288	110	36	–	7	752	1,356	3,549
(Credited)/charged to consolidated income statement	(1,288)	(72)	8	–	72	(151)	174	(1,257)
At June 30, 2020	**–**	**38**	**44**	**–**	**79**	**601**	**1,530**	**2,292**
At January 1, 2021	434	7	46	–	–	583	1,743	2,813
(Credited)/charged to consolidated income statement	(434)	(3)	(46)	14,066	20	302	212	14,117
At June 30, 2021	**–**	**4**	**–**	**14,066**	**20**	**885**	**1,955**	**16,930**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

16 Deferred income taxes (continued)

The Group only recognizes deferred income tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilize those tax losses. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. As of December 31, 2018, 2019 and 2020, and June 30, 2021, the Group did not recognize deferred income tax assets of RMB0.02 million, RMB0.04 million, RMB0.05 million and RMB0.06 million in respect of cumulative tax losses amounting to RMB0.11 million, RMB0.27 million, RMB0.37 million and RMB0.38 million. These tax losses will expire from 2019 to 2026.

Deferred tax liabilities

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

	Long term investments measured at fair value through profit or loss	Short term investments measured at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2018	–	–	–
(Charged)/credited to consolidated income statement	–	18	18
At December 31, 2018	**–**	**18**	**18**
At January 1, 2019	–	18	18
(Charged)/credited to consolidated income statement	–	85	85
At December 31, 2019	**–**	**103**	**103**
At January 1, 2020	–	103	103
(Charged)/credited to consolidated income statement	–	85	85
At December 31, 2020	**–**	**188**	**188**
(Unaudited)			
At January 1, 2020	–	103	103
(Charged)/credited to consolidated income statement	–	(40)	(40)
At June 30, 2020	**–**	**63**	**63**
At January 1, 2021	–	188	188
(Charged)/credited to consolidated income statement	69	(26)	43
At June 30, 2021	**69**	**162**	**231**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

17 Investments accounted for using the equity method

	Year ended December 31,			Six months ended June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	**1,341**	**5,486**	**12,087**	**11,683**
Additions (b)	4,000	8,755	–	12,109
Share of results of associates	145	(154)	(404)	5,046
Losses on impairment of long-term equity investments (a)	–	(2,000)	–	–
At the end of the year/period	**5,486**	**12,087**	**11,683**	**28,838**

(a) In 2019, one of the Group's associate underwent difficulties in operation and liquidated in December 2019. The Group recognized full impairment of the associate amounting to RMB2 million in 2019 accordingly.

(b) During the six months ended June 30, 2021, the Group further obtained 21% shares of an associate which mainly engaged in mobile game development with a consideration of RMB 7.1 million. After the transaction, the Group held 45.64% shares of the unlisted Company. The Group remained significant influence in the unlisted company.

(c) The Group has interests in a number of individually immaterial associates that are accounted for using the equity method.

	Year ended December 31,			Six months ended June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates	5,486	12,087	11,683	28,838
Aggregate amounts of the Group's share of:				
— Profit/(loss) from operations	145	(154)	(404)	5,046

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

18 Financial instruments by category

The Group holds the following financial instruments:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets as per consolidated statements of financial position				
Financial assets at fair value through profit or loss:				
— Long term investments measured at fair value through profit or loss (Note 19)	1,100	21,646	77,800	134,716
— Short-term investments measured at fair value through profit or loss (Note 23)	15,143	10,818	1,299	31,115
	16,243	**32,464**	**79,099**	**165,831**
Financial assets at amortised costs:				
— Trade receivables (Note 22)	13,872	10,233	121,536	72,181
— Short term investments measured at amortised cost (Note 20)	10,085	86,341	–	–
— Refundable prepayments, deposits and other assets (Note 21)	40,025	55,758	9,406	8,807
— Cash and cash equivalents (Note 24(a))	21,398	26,092	443,248	675,957
— Restricted cash (Note 24(b))	–	–	2,250	719
	85,380	**178,424**	**576,440**	**757,664**
Liabilities as per consolidated statement of financial position				
Financial liabilities at fair value through profit or loss:				
— Short-term liabilities measured at fair value through profit or loss (Note 23)	–	–	–	65
— Convertible redeemable preferred shares (Note 30)	–	–	–	1,770,020
Financial liabilities at amortised costs:				
— Lease liabilities (Note 28)	2,129	2,275	10,394	8,819
— Trade payables (Note 31)	3,144	1,908	13,329	39,647
— Other payables (excluding salaries and benefits payable and other tax payables) (Note 32)	176	101	455	18,324
— Financial instruments issued to investors (Note 29)	–	82,667	89,067	–
	5,449	**86,951**	**113,245**	**66,790**

All Financial assets and liabilities measured at fair value through profit or loss are denominated in RMB.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

19 Long-term investments measured at fair value through profit or loss

Movements in long term investments measured at fair value through profit or loss during the years ended December 31, 2018, 2019 and 2020, and six months ended June 30, 2020 and 2021 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
At the beginning of the year/period	**1,100**	**1,100**	**21,646**	**21,646**	**77,800**
Additions(a)	–	20,833	56,234	3,834	56,000
Change in fair value	–	(287)	(80)	(67)	916
At the end of the year/period	**1,100**	**21,646**	**77,800**	**25,413**	**134,716**

As at and during the years ended December 31, 2018, 2019 and 2020, and six months period ended June 30, 2020 and 2021, long term investments measured at fair value through profit or loss mainly represented: 1) investments in associates with significant influence in the form of redeemable instruments and measured at fair value through profit or loss; 2) equity investments in private equity funds in which the Group act as limited partners without significant influence. The Group has determined the fair value of these financial assets based on certain valuation techniques as disclosed in Note 3.3.

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Investments in private equity funds	–	17,713	17,633	17,646	58,187
Investments in unlisted companies	1,100	3,933	60,167	7,767	76,529
At the end of the year/period	**1,100**	**21,646**	**77,800**	**25,413**	**134,716**

(a) During the year ended December 31, 2019, the Group obtained 7.81% and 4.95% shares in two private equity funds which mainly invested in internet and game industry, with a consideration of RMB 10 million and RMB 8 million, respectively. The Group acted as limited partners with no seat in investment committee. The Group had no significant influence in the private equity funds and measured the investments as long term investments measured at fair value through profit or loss.

During the year ended December 31, 2020, the Group obtained 10% shares of an unlisted company which mainly engaged in promotion services and game operation with a consideration of RMB 50 million. The Group made the investment in the form of redeemable instruments and obtained one board seat in the unlisted company. Accordingly, the Group recognized the investment as long term investments measured at fair value through profit or loss.

During the six months period ended June 30, 2021, the Group obtained 10.31% and 3.58% shares in two private equity funds which mainly invested in internet and game industry, with a consideration of RMB 10 million and RMB 30 million, respectively. The Group acted as limited partners with no seat in investment committee. The Group had no significant influence in the private equity funds and measured the investments as long-term investments measured at fair value through profit or loss.

The Group also obtained 2% shares of an unlisted company which mainly engaged in animation and cartoon production with a consideration of RMB 16 million. The Group made the investment in the form of redeemable instruments and had no board seat in the unlisted company. Accordingly, the Group recognized the investment as long-term investments measured at fair value through profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

20 Financial assets at amortised cost

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at amortised cost				
— Short-term investments measured at amortised cost (a)	10,085	86,341	–	–
— Long-term investments measured at amortised cost (b)	20,791	–	–	–
	30,876	**86,341**	**–**	**–**

(a) Short-term investments measured at amortised cost

Short-term investments measured at amortised cost are term deposits with fixed rate of return and maturity from 3 months to 1 year. Short-term investments measured at amortised cost are subject to the impairment requirements of IFRS 9, the expected credit loss was immaterial as of December 31, 2018 and 2019.

(b) Long-term investments measured at amortised cost

Long-term investments measured at amortised cost are term deposits with fixed rate of return and maturity above 1 year. Long-term investments measured at amortised cost are subject to the impairment requirements of IFRS 9, the expected credit loss was immaterial as of December 31, 2018.

All financial assets at amortised cost are denominated in RMB.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

21 Prepayments, deposits and other assets

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Rental and other deposits	114	131	343	320
Prepayments for marketing and promotion services	–	–	–	2,312
Prepayments for game Licenses (i)	–	–	–	1,698
	114	**131**	**343**	**4,330**
Current				
Prepayments for marketing and promotion services	–	–	50,788	22,514
Prepayments to service providers	138	112	3,031	3,450
Prepayments for sharing of proceeds (i)	–	–	1,000	566
Prepaid expenses and other current assets	218	–	532	4,160
Rental and other deposits	19	192	3,223	2,742
Advance to employees	3,250	4,090	367	–
Amounts due from a related party (Note 36(c)(iv))	33,533	47,829	–	–
Loans due from related parties	2,024	2,838	–	–
Loans due from third parties	774	338	165	56
[REDACTED]				
Others	566	711	427	1,009
Less: allowance for impairment	(121)	(230)	(43)	(78)
	40,401	**55,880**	**59,490**	**37,846**

(i) The Group licenses online games from game developers and pays game license fees and sharing of proceeds earned from selling in-game virtual items to game developers. The prepayments for game license fees are transferred to intangible assets when the Group receives related licensed games. The prepayments for sales-based sharing are expensed to cost of revenues on incurred basis.

Prepayments, deposits and other assets of the Company

	As of June 30,
	2021
	RMB'000
Current	
[REDACTED]	

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

22 Trade receivables

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Distribution channels	4,186	1,880	80,000	49,675
Game publishers	10,334	7,238	34,936	20,091
Information service customers	8	1,832	6,832	2,541
	14,528	**10,950**	**121,768**	**72,307**
Less: allowance for impairment	(656)	(717)	(232)	(126)
	13,872	**10,233**	**121,536**	**72,181**

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Third parties	4,194	3,712	86,832	52,216
Related parties	10,334	7,238	34,936	20,091
	14,528	**10,950**	**121,768**	**72,307**
Less: allowance for impairment	(656)	(717)	(232)	(126)
	13,872	**10,233**	**121,536**	**72,181**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

22 Trade receivables (continued)

(a) Distribution Channels and game publishers and information service customers usually settle the amounts within 30-60 days. Aging analysis of trade receivables based on the recognition date of the gross trade receivables at the respective reporting dates are as follows:

	As of December 31,			As of June 30,
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	12,437	9,377	99,028	65,811
3 months to 6 months	1,442	852	22,698	6,478
6 months to 1 year	35	115	42	18
1 to 2 years	136	–	–	–
Over 2 years	478	606	–	–
	14,528	**10,950**	**121,768**	**72,307**

(b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses. During the Track Record Period, the expected loss rate for related parties is low and immaterial; the expected credit loss rates for trade receivables are determined according to provision matrix as follows:

	As of December 31,			As of June 30,
	2018	**2019**	**2020**	**2021**
Within 3 months	1.74%	1.39%	0.19%	0.20%
3 months to 6 months	1.96%	3.91%	3.12%	2.39%
6 months to 1 year	26.61%	27.70%	18.41%	8.94%
1 to 2 years	54.82%	75.88%	67.48%	35.83%
Over 2 years	100.00%	100.00%	100.00%	100.00%

The expected loss rates are based on the payment profiles of sales over a period of 24 month before December 31, 2018, 2019 and 2020, and June 30, 2021 respectively and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the CPI and Retail Sales of Consumer Goods ("RSCG") of the countries in which it operates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

22 Trade receivables (continued)

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

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
At the beginning of the year/period	610	656	717	717	232
Provision	46	240	231	89	115
Reversal	–	(179)	(504)	(696)	(221)
Receivables written off during the year as uncollectable	–	–	(212)	–	–
At the end of the year/period	**656**	**717**	**232**	**110**	**126**

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

(c) The directors of the Group considered that the carrying amounts of the trade receivables balances approximated their fair value as of December 31, 2018, 2019 and 2020, and June 30, 2021.

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

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	516	657	87,182	53,856
RMB	14,012	10,293	34,586	18,451
	14,528	**10,950**	**121,768**	**72,307**

(e) The maximum exposure to credit risk as of December 31, 2018, 2019 and 2020, and June 30, 2021 was the carrying value of the trade receivables. The Group did not hold any collateral as security.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

23 Financial assets/(liabilities) measured at fair value through profit or loss (current)

The financial assets/(liabilities) measured at fair value through profit or loss (current) are foreign exchange forward contracts, investment funds and wealth management products issued by commercial bank of which principal and returns are not guaranteed. The fair values of the foreign exchange forward contracts and investment funds were recognized based on the periodic valuation reports from commercial banks and investment funds and were within level 2 of the fair value hierarchy. The fair values of investment in listed companies were recognized at quoted price in active markets. The fair values of wealth management products are based on discounted cash flow using the expected return based on management judgment and are within level 3 of the fair value hierarchy (Note 3.3).

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
At the beginning of the year/period	–	15,143	10,818	10,818	1,299
Additions	15,000	1,891	8,247	8,247	30,000
Change in fair value	143	822	674	506	1,046
Disposals	–	(7,038)	(18,440)	(18,440)	(1,295)
At the end of the year/period	**15,143**	**10,818**	**1,299**	**1,131**	**31,050**

24 Cash and balances with bank and financial institutions

(a) Cash and cash equivalents

The Group

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand and cash in bank	20,845	25,656	440,059	667,950
Cash held by other financial institutions (Note i)	553	436	3,189	8,007
	21,398	**26,092**	**443,248**	**675,957**

(i) As of December 31, 2018, 2019 and 2020, and June 30, 2021, the Group had certain amounts of cash held in accounts managed by other financial institutions, such as Alipay and WeChat Pay in connection with the provision of online and mobile payment services which have been classified as cash and cash equivalents on the consolidated statements of financial position.

The Company

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand and cash in bank	–	–	–	403,798
	–	**–**	**–**	**403,798**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

24 Cash and balances with bank and financial institutions (continued)

Cash and cash equivalents are denominated in the following currencies:

The Group

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	14,387	20,418	79,446	83,565
USD	7,011	5,674	362,963	587,199
HKD	–	–	839	5,193
	21,398	**26,092**	**443,248**	**675,957**

The Company

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	–	–	–	403,798
	–	**–**	**–**	**403,798**

(b) **Restricted Cash**

Restricted Cash are denominated in the following currencies:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	–	–	1,321	–
USD	–	–	929	719
	–	**–**	**2,250**	**719**

As of December 31, 2020 and June 30, 2021, RMB1.32 million and USD0.14 million (equivalent to approximately RMB0.93 million), nil and USD0.11 million (equivalent to approximately RMB0.72 million), respectively, were cash deposits held by bank as performance guarantee for foreign exchange forward contracts signed with the same bank.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

25 Share capital and share premium

The Reorganization has been completed as at May 26, 2021. As mentioned in Note 1.3, the Historical Financial Information has been prepared on a combined basis before the completion of the Reorganization and on consolidated basis upon the completion of the Reorganization.

	Number of shares	Nominal value of shares	Equivalent nominal value of shares	Share premium
	'000	*USD'000*	*RMB'000*	*RMB'000*
Authorised				
Ordinary shares of US0.00001 each; March 12, 2021(date of incorporation)	5,000,000	50	–	–
As at June 30, 2021	**5,000,000**	**50**	**–**	**–**
Issued				
Issuance of ordinary shares in relation to the Reorganisation of the Group (Note i)	9,530	–	1	2,313,575
As at June 30, 2021	9,530	–	1	2,313,575

(i) On May 14, 2021, as part of the Reorganization, the Company allotted and issued an aggregate of 9,530,575 ordinary shares at par value of US$0.00001 each share to offshore holding vehicles which are beneficially owned by the ordinary shareholders of QC Digital as at that date. Upon completion of the Reorganization, the fair value of ordinary shares of QC Digital amounting to RMB2,313 million was transferred from capital reserve to share premium accordingly (Note 37).

26 Other reserves

The Group

	Capital reserve	Statutory reserve	Share-based compensation expense	Currency translation differences	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2018	27,105	3,547	–	–	–	30,652
Appropriation to statutory reserves	–	2,019	–	–	–	2,019
Share-based payment (Note 6)	–	–	14,000	–	–	14,000
At December 31, 2018	**27,105**	**5,566**	**14,000**	**–**	**–**	**46,671**
At January 1, 2019	27,105	5,566	14,000	–	–	46,671
Issuance of financial instruments to investors (Note 29)	80,000	–	–	–	–	80,000

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

26 Other reserves (continued)

	Capital reserve	Statutory reserve	Share-based compensation expense	Currency translation differences	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Recognition of financial instruments issued to investors as non-current liabilities	(80,000)	–	–	–	–	(80,000)
Appropriation to statutory reserves	–	856	–	–	–	856
At December 31, 2019	**27,105**	**6,422**	**14,000**	**–**	**–**	**47,527**
At January 1, 2020	27,105	6,422	14,000	–	–	47,527
Appropriation to statutory reserves	–	5,000	–	–	–	5,000
Capital contributions from the then shareholders	31,983	–	–	–	–	31,983
Share-based payment (Note 6)	–	–	56,017	–	–	56,017
Currency translation differences	–	–	–	(955)	–	(955)
At December 31, 2020	**59,088**	**11,422**	**70,017**	**(955)**	**–**	**139,572**
(Unaudited)						
At January 1, 2020	27,105	6,422	14,000	–	–	47,527
Share-based payment (Note 6)	–	–	8,965	–	–	8,965
Currency translation differences	–	–	–	(171)	–	(171)
At June 30, 2020	**27,105**	**6,422**	**22,965**	**(171)**	**–**	**56,321**
At January 1, 2021	59,088	11,422	70,017	(955)	–	139,572
Recognition of redemption liability for the financial instruments issued to investors (Note 29(a))	(251,564)	–	–	–	–	(251,564)
Effect of Share Exchange (Note 30)	(633,303)	–	–	–	–	(633,303)
Effect of Reorganization of the Group (Note 25)	(2,313,575)	–	–	–	–	(2,313,575)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

26 Other reserves (continued)

	Capital reserve	Statutory reserve	Share-based compensation expense	Currency translation differences	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Fair value changes on convertible redeemable preferred shares due to own credit risk (Note 30)	–	–	–	–	(986)	(986)
Currency translation differences	–	–	–	1,604	–	1,604
At June 30, 2021	**(3,139,354)**	**11,422**	**70,017**	**649**	**(986)**	**(3,058,252)**

The Company

	Capital Reserve	Currency translation differences	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2021	–	–	–	–
Fair value changes on convertible redeemable preferred shares due to own credit risk	–	–	(986)	**(986)**
Currency translation differences	–	1,801	–	**1,801**
At June 30, 2021	**–**	**1,801**	**(986)**	**815**

27 Contract liabilities

Contract liabilities primarily consists of i) the unamortised revenue from sales of virtual items for mobile games, where there is still obligation to be provided by the Group to game players, and ii) the unamortised balance of the initial license fee paid by licensees.

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Game licensing	**645**	**–**	**–**	**–**
Current				
Game licensing	5,272	1,729	916	906
Game operating	7,073	4,288	227,033	95,610
	12,345	**6,017**	**227,949**	**96,516**
	12,990	**6,017**	**227,949**	**96,516**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

27 Contract liabilities (continued)

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

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Revenue recognized that was included in the contract liabilities balance at the beginning of the year/period					
Game licensing	4,644	4,188	813	677	–
Game operating	7,572	7,073	4,288	4,288	227,033
	12,216	**11,261**	**5,101**	**4,965**	**227,033**

28 Lease liabilities

	As of December 31,			As of June 30,
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Minimum lease payments due				
— Within 1 year	1,124	2,349	3,666	2,794
— Between 1 and 2 years	1,125	–	3,760	3,773
— Between 2 and 5 years	–	–	3,813	2,860
— Over 5 years	–	–	–	–
	2,249	**2,349**	**11,239**	**9,427**
Less: future finance charges	(120)	(74)	(845)	(608)
Present value of lease liabilities	**2,129**	**2,275**	**10,394**	**8,819**

	As of December 31,			As of June 30,
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities				
— Within 1 year	1,089	2,275	3,578	2,723
— Between 1 and 2 years	1,040	–	3,477	3,555
— Between 2 and 5 years	–	–	3,339	2,541
— Over 5 years	–	–	–	–
	2,129	**2,275**	**10,394**	**8,819**

29 Financial instruments issued to investors

In July 2019, QC Digital entered into an investment agreement with G-bits, pursuant to which G-bits made a total investment of RMB80 million in QC Digital as consideration for subscription of QC

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

29 Financial instruments issued to investors (continued)

Digital's paid-in capital of RMB1.7 million, representing 13.33% of equity interest in QC Digital. According to the agreement, these ordinary shares will become redeemable by G-bits under certain events which are out of the Group's control. QC Digital does not have the unconditional right to avoid delivering cash or other financial assets to settle contractual obligation upon occurrence of certain events which are out of the control of the Group.

The Group recognized the aforementioned investment made by G-bits (the "Financial Instruments Issued to Investors") as financial liabilities which recognized initially at the present value of the redemption amount, which is computed based on the investment amount of RMB80 million plus an interest of 8% per annum. Any changes in the carrying amount of the financial liabilities were recorded in "Losses from financial instruments issued to investors" of consolidated statements of comprehensive income.

The movements of the Financial Instruments Issued to Investors are set out below:

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	–	–	82,667	89,067
Issue	–	80,000	–	–
Changes in the carrying amount due to the interest of 8% per annum	–	2,667	6,400	2,940
Changes in the carrying amount due to Share Transfer (a)				
— Losses from financial instruments issued to investors	–	–	–	50,988
— Other reserves (Note 26)	–	–	–	251,564
De-recognition upon Share Exchange (Note 30)	–	–	–	(394,559)
At the end of the year/period	**–**	**82,667**	**89,067**	**–**

(a) Before April 21, 2021, G-bits' equity interest in QC Digital includes i) the equity investment in the form of ordinary shares of 21.21%; ii) equity investment in the form of ordinary shares with preferential rights of 12%. On April 21, 2021, Guangxi Tencent Venture Capital Co., Ltd. (廣西騰訊創業投資有限公司) ("Tencent"), Shanghai Hode Information Technology Co., Ltd. (上海幻電信息科技有限公司) ("Shanghai Hode"), and Guangzhou Lingxi Interactive Entertainment Limited (廣州靈犀互動娛樂有限公司) ("Guangzhou Lingxi"), entered into a share transfer agreement with G-bits, pursuant to which G-bits transferred each 3.37% equity interests in QC Digital to Tencent, Shanghai Hode and Guangzhou Lingxi, respectively (10.11% in aggregate), at an consideration of RMB101.15 million each (RMB303.45 million in aggregate). After this share transfer, the equity investments held by G-bits, Tencent, Shanghai Hode and Guangzhou Lingxi (collectively "Series A Investors"), amounting to 23.10%, 3.37%, 3.37%, 3.37%, respectively, are entitled to preferential rights although the Series A Investors did not contribute consideration in QC Digital during this share transfer. According to the agreement, these ordinary shares held by Series A Investors will become redeemable by Series A Investors under certain events which are out of the Group's control. Since QC Digital does not have the unconditional right to avoid delivering cash or another financial assets to settle the contractual obligation, the Group recognized the investments held by Series A Investors as a financial liability of RMB394 million upon the share transfer, which initially recognized at the present value of the redemption amount. The redemption amount is calculated based on the agreed fixed amount plus an interest at eight percent per annum, QC Digital agreed with the Series A Investors a fixed amount (using as the basis to calculate the redemption amount) of RMB90 million for

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

29 Financial instruments issued to investors (continued)

G-bits, and RMB101.15 million each for Tencent, Shanghai Hode and Guangzhou Lingxi respectively. After this share transfer, given the preferential rights granted by the Group to the Series A Investors, the G-bits previously held equity interests of 21.21% in the form of ordinary shares with carrying value of RMB50 million became a financial liability of RMB252 million (Note 26). The financial liability should be initially recognized at the present value of the redemption amount and reclassified from equity, therefore the financial liability amounting to RMB252 million was reclassified from "other reserves" of consolidated statements of financial position. While the liability recognized for G-bits previously held equity interests with preferential rights of 12.00% became a financial liability of RMB142 million, the change from its previous carrying value of RMB91 million, amounting to RMB51 million, was recorded in "Losses from financial instruments issued to investors" of consolidated statements of comprehensive income.

30 Convertible redeemable preferred shares

On May 14, 2021, to reflect the onshore shareholding structure of QC Digital, 4,739,938 Series A Preferred Shares of the Company were issued to Series A Investors' offshore affiliates ("Series A Preferred Shareholders"). The Group recognized Series A Preferred Shares as financial liabilities measured at fair value through profit or loss of RMB1,028 million at their fair value. Upon entering into the Contractual Arrangements on May 26, 2021, shareholders of QC Digital became nominee shareholders and the preferential rights held by Series A Investors in QC Digital were cancelled accordingly (together with the issuance of Series A Preferred Shares, as the "Share Exchange"). The carrying amount of "financial instruments issued to investors" of RMB395 million was then derecognized accordingly. Upon the Share Exchange, Series A Investors gave up their investments of ordinary shares with preferential rights (which mainly represents a put option under certain condition) that they held in QC Digital, and in return, Series A Investors' offshore affiliates received Series A Preferred Shares of the Company. The management assessed that the Share Exchange involves the de-recognition of ordinary shares with preferential rights (i.e. one equity and one liability) of QC Digital, with carrying amounts of RMB395 million, by issuing Series A Preferred Shares with fair value of RMB1,028 million. The total difference between the fair value of the Series A Preferred Shares and the carrying value of the ordinary shares with preferential rights of QC Digital held by Series A Investors, amounting to RMB633 million, was recorded into i) the consolidated statements of comprehensive income (RMB nil), given the fair value allocated to the liability de-recognised is the same as its carrying value; and ii) the "other reserve" of consolidated statements of financial position (RMB633 million), which representing the difference between the remaining fair value allocated and the carrying value of the equity de-recognised.

On May 26, 2021, Wildlife Willow Limited, Bilibili Inc., Qookka Entertainment Limited and Tencent Mobility Limited (collectively "Series B Preferred Shareholders") entered into share purchase agreement with the Company, pursuant to which an aggregate of 1,152,488 convertible redeemable preferred shares of the Company were allotted to the Series B Preferred Shareholders with a consideration of USD62.61 million, equivalent to approximately RMB401 million. The Group recognized Series B Preferred Shares as financial liabilities measured at fair value through profit or loss.

The key terms of all series of Series A Preferred Shares and Series B Preferred Shares effective and applicable upon their issuance are as follows:

Liquidation Preferences of Series A Preferred Shares and Series B Preferred Shares

In the event of any i) liquidation; ii) dissolution; iii) winding up or termination of business of the Company; iv) any consolidation, reorganization, amalgamation, merger or other transaction of the Company, with or into any person, or any other corporate reorganization or scheme of arrangement, in which the current shareholders of the Company immediately before such transaction own less than 50%

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

30 Convertible redeemable preferred shares (continued)

of the voting power of the surviving company immediately after such transaction, whether voluntary or involuntary; v) a sale, lease, transfer, or other disposition, in a single transaction or series of transactions, of all or substantially all of the assets of the Group Companies (including sale or exclusive licensing to any third party other than the Group Companies, in a single transaction or series of transactions, of all or substantially all of the intellectual property of the Group Companies, taken as a whole), the effect of which is the disposition of all or substantially all of the Group Companies' assets taken as a whole; whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the Shareholders (after satisfaction of all creditors' claims and claims that may be preferred by applicable law) shall be distributed to the Shareholders in the sequence of Series B Preferred Shares, Series A Preferred Shares, ordinary shares.

The preferential liquidation amount shall be equal to any dividends declared and unpaid with respect to the Preferred Shares plus the higher of: (A) one hundred percent (100%) of the Preferred Shares Issue Price plus (B) eight percent (8%) simple interest per annum of the Preferred Shares Issue Price accrued annually (which shall be accrued from the Preferred Shares Closing Date to the date when the Preferred Shares Preference Amount is paid) plus (C) all declared but unpaid dividends on such Preferred Shares and (ii) the amount which would have been payable had such Preferred Shares been converted into an Ordinary Share immediately prior to the Liquidation Event or Deemed Liquidation Event.

Conversion Rights of Series A Preferred Shares and Series B Preferred Shares

Each Preferred Share may, at the option of the Preferred Shareholders thereof, be converted at any time after the date of issuance of such Preferred Shares into fully-paid and non-assessable ordinary shares at an initial conversion ratio of 1:1 subject to i) adjustment for share splits and combinations; ii) adjustment for ordinary share dividends and distributions; iii) adjustments for other dividends; iv) adjustments for reorganizations, mergers, consolidations, reclassifications, exchanges, substitutions; v) adjustments to conversion price for dilutive issuance.

In addition, each Preferred Share shall automatically be converted, based on the then-effective conversion price, without any action being required by the holder of such Preferred Share and whether or not the certificates representing such Preferred Share surrendered to the Company or its transfer agent, into fully-paid and non-assessable ordinary shares upon the earlier of (a) the closing of an qualified IPO duly approved in accordance with the shareholders agreement and the memorandum and articles and (b) the date specified by written consent of all the Preferred Holders.

Redemption Rights of Series B Preferred Shares

Series B Preferred Shares shall be redeemable at the election of Series B Preferred Shareholders upon specific conditions as follows: i) the Company does not consummate a qualified IPO within three years from the closing of issuance of Series B Preferred Shares; ii) the Group is materially in violation of applicable Law and unable to carry out its Principal Business legally; iii) any material breach or violation of or inaccuracy or misrepresentation in any representation or warranty made by the Company or any member of key management Team in the Transaction Documents, or any material breach or violation of any undertaking, covenant or obligation by the Company or any member of key management team contained in the transaction documents; iv) any Series B Preferred Shareholder has exercised its redemption rights.

Dividends and voting rights of Series A Preferred Shares and Series B Preferred Shares

Each preferred shares shall have voting rights and dividend rights equivalent to ordinary shareholders into which such preferred shares could be convertible.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

30 Convertible redeemable preferred shares (continued)

The movements of the convertible redeemable preferred shares are set out as below:

	RMB'000
At January 1, 2021	–
Issuance of Series A Preferred Shares	1,027,862
Issuance of Series B Preferred Shares	401,000
Change in fair value	338,380
Change in fair value due to own credit risk	986
Currency translation differences	1,792
At June 30, 2021	**1,770,020**

The Group applied the discount cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set as below:

	As of June 30, 2021
Discount rate	15%
Risk-free interest rate	3%
DLOM	7%
Volatility	43%

31 Trade payables

	As of December 31,			**As of June 30,**
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	3,144	1,908	13,329	39,647

Trade payables are primarily related to the purchase of services for server custody, advertisement and sharing of proceeds due to game developers. The credit terms of trade payables granted to the Group are usually 30 to 90 days.

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

	As of December 31,			**As of June 30,**
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	3,144	1,908	13,319	38,977
USD	–	–	10	670
	3,144	**1,908**	**13,329**	**39,647**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

31 Trade payables (continued)

As of December 31, 2018, 2019 and 2020, and June 30, 2021, the fair value of trade payables approximated to their carrying amount.

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

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	2,447	918	12,291	23,176
Over 3 months	697	990	1,038	16,471
	3,144	**1,908**	**13,329**	**39,647**

32 Other payables and accruals

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries and benefits payables	18,766	20,513	115,143	19,136
Other tax payables	864	855	53,866	3,911
[REDACTED]				
Payables for acquisition	–	–	–	8,000
Others	176	101	455	1,456
	19,806	**21,469**	**169,464**	**41,371**

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

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	19,806	21,469	169,422	33,428
USD	–	–	42	7,623
JPY	–	–	–	270
HKD	–	–	–	50
	19,806	**21,469**	**169,464**	**41,371**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

32 Other payables and accruals (continued)

Other payables and accruals of the Company

	As of June 30, 2021
	RMB'000
Amounts due to a subsidiary	8,413
[REDACTED]	
	17,281

33 Dividend Distribution

	As of December 31,			As of June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Dividend distribution	10,000	–	90,000	–	180,000

Pursuant to the resolutions of the shareholders' meetings of QC Digital in May 2018 and December 2020 respectively, dividends of RMB10,000,000 and RMB90,000,000 were approved and paid to the then shareholders in cash in the same year.

No dividends had been paid by the Company during the Track Record Period since the Company was incorporated on March 12, 2021.

Pursuant to the resolutions of the shareholders' meetings of QC Digital in May 2021, dividends of RMB180,000,000 were approved and paid to the then shareholders in cash.

34 Note to consolidated statements of cash flows

(a) Cash generated from operations

	Notes	Year ended December 31,			Six months ended June 30,	
		2018	2019	2020	2020	2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit/(loss) before income tax		**26,276**	**20,654**	**113,316**	**(154,276)**	**(103,313)**
Adjustments for						
Depreciation	6	1,479	1,941	2,585	1,261	2,194
Net impairment losses on financial assets	6	657	170	(364)	(688)	(71)
Impairment of long-term investments accounted for using the equity method	17	–	2,000	–	–	–
Share-based payments	6	14,000	–	56,017	8,965	–

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

34 Note to consolidated statements of cash flows (continued)

(a) Cash generated from operations (continued)

		Year ended December 31,			Six months ended June 30,	
	Notes	**2018**	**2019**	**2020**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Share of results of investments accounted for using equity method	17	(145)	154	404	202	(5,046)
Fair value changes on investments measured at fair value through profit or loss	8	(143)	(535)	(594)	(439)	(1,962)
Other income	9	(2,092)	(2,573)	(3,717)	(2,202)	(120)
Finance costs — net	11	136	124	74	49	237
Other gains	10	–	–	–	–	(8)
Losses from financial instruments issued to investors	29	–	2,667	6,400	3,200	53,928
Losses on disposal of non-current assets	14	5	4	200	–	–
Changes in fair value of convertible redeemable preferred shares	30	–	–	–	–	338,380
Net exchange differences		(285)	118	15,667	(85)	1,756
		39,888	**24,724**	**189,988**	**(144,013)**	**285,975**
Changes in working capital						
— Trade receivables		8,568	3,648	(110,676)	(47,583)	49,382
— Prepayments, deposits and other assets		(6,605)	(13,226)	(13,136)	(17,114)	17,334
— Restricted cash		–	–	(2,250)	–	1,531
— Inventories		–	–	(222)	–	(47)
— Trade payables		(677)	(1,236)	11,421	149,491	26,317
— Contract liabilities		(5,144)	(6,973)	221,932	78,928	(131,433)
— Other payables and accruals		4,555	1,662	147,040	(3,920)	(132,102)
Cash generated from operations		**40,585**	**8,599**	**444,097**	**15,789**	**116,957**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

34 Note to consolidated statements of cash flows (continued)

(b) Net debt reconciliation

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	21,398	26,092	443,248	675,957
Financial instruments issued to investors	–	(82,667)	(89,067)	–
Lease liabilities	(2,129)	(2,275)	(10,394)	(8,819)
Convertible redeemable preferred shares	–	–	–	(1,770,020)
Net debt	**19,269**	**(58,850)**	**343,787**	**(1,102,882)**

	Cash and cash equivalents	Financial instruments issued to investors	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2018	15,955	–	(3,260)	12,695
Cash flows	5,158	–	1,267	6,425
Accrual interest for lease liabilities	–	–	(136)	(136)
Foreign exchange adjustments	285	–	–	285
As at December 31, 2018	**21,398**	**–**	**(2,129)**	**19,269**
As at January 1, 2019	21,398	–	(2,129)	19,269
Cash flows	4,812	(80,000)	1,737	(73,451)
Increase of right-of-use assets	–	–	(1,759)	(1,759)
Accrual interest for lease liabilities	–	–	(124)	(124)
Losses from financial instruments issued to investors	–	(2,667)	–	(2,667)
Foreign exchange adjustments	(118)	–	–	(118)
As at December 31, 2019	**26,092**	**(82,667)**	**(2,275)**	**(58,850)**
As at January 1, 2020	26,092	(82,667)	(2,275)	(58,850)
Cash flows	432,823	–	2,349	435,172
Increase of right-of-use assets	–	–	(10,394)	(10,394)
Accrual interest for lease liabilities	–	–	(74)	(74)
Losses from financial instruments issued to investors	–	(6,400)	–	(6,400)
Foreign exchange adjustments	(15,667)	–	–	(15,667)
As at December 31, 2020	**443,248**	**(89,067)**	**(10,394)**	**343,787**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

34 Note to consolidated statements of cash flows (continued)

(b) Net debt reconciliation (continued)

	Cash and cash equivalents	Financial instruments issued to investors	Lease liabilities	Convertible redeemable preferred shares	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)					
As at January 1, 2020	26,092	(82,667)	(2,275)	–	(58,850)
Cash flows	73,184	–	1,242	–	74,426
Accrual interest for lease liabilities	–	–	(49)	–	(49)
Losses from financial instruments issued to investors	–	(3,200)	–	–	(3,200)
Foreign exchange adjustments	85	–	–	–	85
As at June 30, 2020	**99,361**	**(85,867)**	**(1,082)**	**–**	**12,412**
As at January 1, 2021	443,248	(89,067)	(10,394)	–	343,787
Cash flows	234,465	–	1,812	(401,000)	(164,723)
Issuance of Series A Preferred Shares	–	–	–	(1,027,862)	(1,027,862)
Accrual interest for lease liabilities	–	–	(237)	–	(237)
Losses from financial instruments issued to investors	–	(53,928)	–	–	(53,928)
Changes in carrying amount due to Share Transfer (Note 29(a))	–	(251,564)	–	–	(251,564)
De-recognition of financial instruments issued to investors (Note 30)	–	394,559	–	–	394,559
Changes in fair value of convertible redeemable preferred shares	–	–	–	(338,380)	(338,380)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

34 Note to consolidated statements of cash flows (continued)

(b) Net debt reconciliation (continued)

	Cash and cash equivalents	Financial instruments issued to investors	Lease liabilities	Convertible redeemable preferred shares	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Currency translation differences	–	–	–	(2,778)	(2,778)
Foreign exchange adjustments	(1,756)	–	–	–	(1,756)
As at June 30, 2021	**675,957**	**–**	**(8,819)**	**(1,770,020)**	**(1,102,882)**

35 Commitments

(a) Capital commitments

The Group made capital expenditure in respect of long-term equity investments as of December 31, 2018, 2019 and 2020, and June 30, 2021. The Group has commitments to make the following future installments under non-cancelable agreements are as follows:

	As of December 31,			As of June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Long-term investments	2,000	–	31,000	–	19,000

36 Related party transactions

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

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

36 Related party transactions (continued)

(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 Track Record Period.

Name of related parties	Relationship
Shenzhen Hot Zone Network Technology Co., Ltd.	Associate
Chengdu Weimei Interactive Technology Co., Ltd.	Associate
Shenzhen Jishiwu Technology Co., Ltd.	Associate
Guangzhou Jodo Information and Technology Co., Ltd.	Associate
G-bits Group (Note (i))	Shareholder
Mr. Yang Xu	Shareholder and director
Mr. Huang Zhiqiang	Shareholder and director
Xiamen Wofanqihang Venture Capital Partnership (L.P.)	Shareholder
Xiamen Zhongkedexing Equity Investment Fund Partnership (L.P.)	Shareholder
Xiamen Guohai Nut Venture Capital Partnership (L.P.)	Shareholder
Mr. Ye Jiting	Shareholder
Mr. Wei Shumu	Shareholder
Ms. Wang Yunling	Shareholder
Mr. Lin Yiwei	Shareholder
Mr.Zeng Xiangshuo	Shareholder and director
Brilliance Investment Limited	Entity controlled by Mr. Yang Xu

(i): G-bits Group mainly represents G-bits Network Technology (Xiamen) Co., Ltd., which is a shareholder of the Company, and Shenzhen Leiting Information Technology Co., Ltd., Xiamen Leiting Network Technology Co., Ltd. and Hongkong Leiting Information Technology Co., Ltd., which were subsidiaries of G-bits Network Technology (Xiamen) Co., Ltd.

(b) Significant transactions with related parties

(i) Game licensing revenue

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
G-bits Group	44,135	31,591	57,196	13,315	18,762

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

36 Related party transactions (continued)

(ii) Commission to game developers

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Shenzhen Jishiwu Technology Co., Ltd.	–	–	–	–	32,493
Shenzhen Hot Zone Network Technology Co., Ltd.	4,697	2,694	2,111	1,109	677
Chengdu Weimei Interactive Technology Co., Ltd.	463	265	1,152	161	–
Total	**5,160**	**2,959**	**3,263**	**1,270**	**33,170**

(iii) Marketing and promotion expenses

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Guangzhou Jodo Information and Technology Co., Ltd.	–	–	79,388	–	10,025
G-bits Group	–	–	66,843	–	7,512
Total	**–**	**–**	**146,231**	**–**	**17,537**

(iv) Rental expenses

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
G-bits Group	1,342	2,180	2,292	1,158	1,969

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

36 Related party transactions (continued)

(v) Interest income from related party

	As of December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Brilliance Investment Limited	727	1,121	1,454	727	–
Mr. Yang Xu	651	117	–	–	–
Mr. Huang Zhiqiang	34	32	29	14	–
Mr. Wei Shumu	22	20	16	8	–
Mr. Zeng Xiangshuo	–	1	30	15	–
Total	**1,434**	**1,291**	**1,529**	**764**	**–**

(c) Year end balances with related parties

(i) Trade receivables from related parties

	As of December 31,			As of June 30,
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Game publishing				
G-bits Group	10,334	7,238	34,936	20,091

The above balances with related parties were mainly denominated in RMB and USD. They were unsecure, trade in nature, non-interest bearing and repayable to the Group on demand.

(ii) Trade payables to related parties

	As of December 31,			As of June 30,
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commissions charged by game developers				
Shenzhen Jishiwu Technology Co., Ltd.	–	–	–	21,545
Shenzhen Hot Zone Network Technology Co., Ltd.	2,001	737	805	229
Chengdu Weimei Interactive Technology Co., Ltd	112	134	311	311
Guangzhou Jodo Information and Technology Co., Ltd.	–	–	3,624	1,974
G-bits Group	763	986	2,740	1,522
Total	**2,876**	**1,857**	**7,480**	**25,581**

The above balances with related parties were mainly denominated in RMB. They were unsecure, trade in nature, non-interest bearing and repayable on demand.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

36 Related party transactions (continued)

(iii) Prepayments to related parties

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for marketing and promotion services				
G-bits Group	–	–	5,425	5,371
Prepayments for sharing of proceeds				
G-bits Group			–	566
Shenzhen Jishiwu Technology Co., Ltd.	–	–	1,000	–
Prepayments for game licenses				
G-bits Group	–	–	–	1,698
	–	**–**	**6,425**	**7,635**

The above balances with related parties were mainly denominated in RMB. They were unsecure, trade in nature and non-interest bearing.

(iv) Other receivables from related parties

	As of December 31,			As of June 30,
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade				
Amounts due from a related party				
Brilliance Investment Limited (1)	33,533	47,829	–	–
Rental and other deposits (2)				
G-bits Group	114	173	343	320
Loans due from related parties (2)				
Mr. Yang Xu	690	807	–	–
Mr. Huang Zhiqiang	810	770	–	–
Mr. Zeng Xiangshuo	–	801	–	–
Mr. Wei Shumu	523	459	–	–
Total	**35,670**	**50,839**	**343**	**320**

(1) Brilliance Investment Limited, a limited liability company incorporated in the Cayman Islands and controlled by Mr. Yang Xu, signed certain overseas game operation contracts with third party suppliers on behalf of the Group. Amounts due from related party represented the operation revenue received by Brilliance Investment Limited on behalf of the Group which have not been timely repaid to the Group during the years ended December 31, 2018 to 2020, which bears annual interest rate of 2.25% and were fully received by the Group in 2020.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

36 Related party transactions (continued)

(2) Other receivables due from related parties mainly represented receivable due from Mr. Yang Xu, Mr. Huang Zhiqiang, Mr. Zeng Xiangshuo and Mr.Wei Shumu, which are unsecured, with an interest rate 4.35% and are generally repayable within 1-2 years.

Other than the rental deposits to G-bits Group, all of the non-trade receivables from related parties had been settled. According to the leasing agreement, the rental deposits will be repaid by G-bits upon expiry of the leasing agreement.

37 Investment in subsidiaries

	As of December 31,			As of June 30,
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment in subsidiaries	–	–	–	3,341,437

In May 2021, to reflect the onshore shareholding structure of QC Digital, 9,530,575 ordinary shares of the Company with fair value of RMB 2,313 million (Note 25) were allotted and issued to 9 offshore ordinary shareholders, 4,739,938 redeemable and convertible preferred shares ("Series A Preferred Shares") of the Company with fair value of RMB 1,028 million, were issued to Series A investors (Note 30). The investments in subsidiaries represented the fair value of the QC Digital acquired by the Company upon completion of the Reorganization amounting to RMB 3,341 million.

38 Contingencies

The Group did not have any material contingent liabilities as of December 31, 2018, 2019 and 2020, and June 30, 2021.

39 Subsequent events

As of the date of report, there is no material subsequent event occurred during the period from June 30, 2021.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2021 and up to the date of this report.