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## CMGE Technology Group Limited

中手游科技集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0302)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “**Board**”) of directors (the “**Directors**”) of CMGE Technology Group Limited (the “**Company**”, together with its subsidiaries and consolidated operating entities in the People’s Republic of China (the “**PRC**”), the “**Group**”) is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2021 (the “**Reporting Period**”). The interim results for the Reporting Period have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

#### FINANCIAL SUMMARY

|   | For the six months<br>ended 30 June |                                | Period-<br>to-period<br>% |
|---|-------------------------------------|--------------------------------|---------------------------|
|   | 2021<br>RMB’000<br>(Unaudited)      | 2020<br>RMB’000<br>(Unaudited) |                           |
| <b>Revenue</b>  | <b>2,180,133</b>                    | 1,714,036                      | 27.2                      |
| Profit for the period   | <b>378,250</b>                      | 276,061                        | 37.0                      |
| Profit for the period attributable to owners<br>of the parent | <b>393,532</b>                      | 287,746                        | 36.8                      |
| <b>Adjusted net profit</b> <sup>(1)</sup>                     | <b>401,780</b>                      | 341,649                        | 17.6                      |

Note:

1. “Adjusted net profit” is not defined under the Hong Kong Financial Reporting Standards (“**HKFRS**”). It is defined by the Group as net profit attributable to owners of the parent excluding equity-settled share-based expense which is not operating and recurring in nature. The adjusted net profit can more closely reflect the Group’s operating results, after excluding the above-mentioned non-operating item.

## BUSINESS REVIEW

Leveraging the Group’s highly competitive intellectual property (“IP”) based game ecosystem, the Group has achieved impressive results in terms of global publishing and self-development of IP-based games in the first half of 2021. The Group has acquired various new high-quality IPs and further consolidated its presence in terms of different genres, regions and gameplays, and held a total of 118 IPs, comprising 50 licensed IPs and 68 proprietary IPs as at 30 June 2021. Statistics from Analysys (易觀智庫) show that, as at 30 June 2021, the Group had the largest number of IPs among game companies in the PRC and had launched the most mobile IP-based games among game companies in the PRC. In the first half of 2021, the Group launched many games to the Mainland China market and various foreign countries. As at 30 June 2021, the Group had 85 games available for download in various application stores and publishing platforms.

For the six months ended 30 June 2021, the Group’s revenue reached RMB2,180.1 million, representing a period-on-period increase of approximately 27.2%; gross profit reached RMB839.6 million, representing a period-on-period increase of 58.0%; our profit margin increased from 31.0% to 38.5%; profit for the period attributable to owners of the parent amounted to RMB 393.5 million, representing a period-on-period increase of 36.8%; and adjusted net profit amounted to RMB401.8 million, representing a period-on-period increase of approximately 17.6%.

The following table sets forth the key performance indicators of the Group during the periods indicated, namely (i) the average monthly active users (“MAU”); (ii) the average monthly paying users (“MPU”); (iii) the average revenue per month per paying user (“ARPPU”); and (iv) the total new registered users:

|   | For the six months<br>ended 30 June |        |
|---|-------------------------------------|--------|
|   | 2021                                | 2020   |
| Average MAUs ( <i>thousands</i> )               | <b>19,084</b>                       | 15,053 |
| Average MPUs ( <i>thousands</i> )               | <b>1,442</b>                        | 1,135  |
| ARPPU ( <i>RMB</i> )                            | <b>251.9</b>                        | 251.7  |
| Total new registered users ( <i>thousands</i> ) | <b>58,014</b>                       | 54,358 |

## Self-Development and Self-Publishing

Capitalising on its game operation experience accumulated over the years, through continuous and iterative upgrades of game versions, game characters and in-game activities, the Group maintained stable income and revenue contributions from the operation of its self-developed games *The World of Legend–Thunder Empire* (傳奇世界之雷霆霸業), *Legend of Dragon City* (龍城傳奇), its card and board games, its self-published games *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心), as well as other games already launched and under operation before 2020.

In terms of new games, during the six months ended 30 June 2021, the Group launched several new games, which included various jointly developed and large-scale IP adapted mobile games, such as *One Piece: The Voyage* (航海王熱血航線) and *Soul Land: God of Battle Arise* (斗羅大陸—斗神再臨). In particular, *One Piece: The Voyage* (航海王熱血航線) was jointly produced by the Group and Beijing Nuverse Information Technology Co., Ltd. (北京朝夕光年信息技術有限公司) (“Nuverse”) under ByteDance Ltd (字節跳動有限公司) (“ByteDance”). The game was launched on 22 April 2021 and topped the Top Free Games List of Apple’s App Store in Mainland China, and ranked third on the Best Selling Games List of Apple’s App Store in the first month of its launch. It won the Best Game Award in the first month of its launch under the Editors’ Recommendation by Apple’s App Store. After the launch of *Soul Land: God of Battle Arise* (斗羅大陸—斗神再臨) on 28 April 2021, the game ranked first on the Top Free Games List of Apple’s App Store in Mainland China, and was recommended by Apple’s App Store Today as a special featured recommendation and current best-selling recommendation several times. The Group’s self-developed mobile game *Legend of Sword and Fairy - the Magnificence* (仙劍奇俠傳:九野) and web game *Blood Legend* (血飲傳說) achieved outstanding performance upon their launch in the first half of 2021. These new games have been highly recognised and welcomed by the market, driving the significant increase in the Group’s revenue. During the six months ended 30 June 2021, the Group’s revenue from its publishing business amounted to RMB1,525.3 million, representing a period-on-period increase of approximately 2.4%; and the Group’s revenue from its game development business amounted to RMB567.0 million, representing a period-on-period increase of approximately 156.8%.

## Overseas Markets

In the first half of 2021, the Group’s overseas publishing business achieved significant breakthroughs. *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) ranked first on the Top Free Games List of Apple’s App Store on the first day of its launch in January 2021 in Hong Kong, Macau and Taiwan. The game ranked first on the Best Selling Games List of both Apple’s App Store and Google Play Store in the first month of its launch in Hong Kong, Macau and Taiwan. Subsequently, *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) was introduced to Singapore and Malaysia in June 2021, and ranked first on the Top Free Games List of Apple’s App Store and Google Play Store in the first month of its launch in Singapore and Malaysia. The mobile game *Reborn!* (家庭教師) was launched in Southeast Asian regions in June 2021, and this game ranked third on the Top Free Games List of both Apple’s App Store and Google Play Store in the first month of its launch in Southeast Asian regions. Games launched overseas in 2020 also obtained outstanding performance in the first half of 2021. During the six months ended 30 June 2021, the Group’s revenue from overseas regions amounted to RMB219.7 million, representing a period-on-period increase of approximately 6,250.4%.

## Investment in Developers

In terms of the Group's investment in quality game developers,, the Group completed its investment in Shenzhen Heyao Network Technology Co., Ltd. (深圳市赫耀網絡科技有限公司) (“**Shenzhen Heyao**”), Beijing Xinrui Mutual Entertainment Technology Co., Ltd. (北京新芮互娛科技有限公司) (“**Xinrui Mutual Entertainment**”), and Fuzhou Tornado Network Technology Co., Ltd. (福州龍捲風網絡科技有限公司) (“**Tornado Network**”) in the first half of 2021 and became their minority shareholders. Leveraging these investments, the Group has formulated a detailed cooperation plan with these three game developers. Pursuant to the cooperation plan, the Group will exclusively publish a MMORPG mobile game with an oriental fantasy world background *Code: Mountainous and Seas* (代號:山海) developed by Shenzhen Heyao. Also, the Group will exclusively publish a role-playing game (RPG) card game adapted from a popular novel IP, *Cultivation Chat Group* (修真聊天群) licensed by China Literature Limited (閱文集團) and developed by Xinrui Mutual Entertainment; the Group and Tornado Network jointly commenced testing a European-American themed simulation development + SLG mobile game developed by them in multiple overseas countries. The Group also jointly developed a tactical mobile game with Shanghai Bantu Network Technology Co., Ltd. (上海班圖網路科技有限公司) (“**Bantu Network**”), a company invested by us in the second half of 2020.

## Licensing Business

In the first half of 2021, revenue derived from the Group's IP licensing business amounted to approximately RMB87.8 million, representing a period-on-period growth of 2,012.6%, which was mainly due to the revenue derived from licensing of various popular IPs of the Group. In terms of IP operation, the Group continued to increase the influence of its proprietary IPs, with a continued focus on enriching its IP universes and developing the merchandise of its IPs. In the first half of 2021, IP *Legend of Sword and Fairy* (仙劍奇俠傳) of the Group participated in the Nanjing, Wuhan, Nanning, Chongqing, Beijing offline animation festivals respectively, with over a hundred thousand guests participated in the festivals. In the first half of 2021, the Group's proprietary IPs *Legend of Sword and Fairy* (仙劍奇俠傳), *Monopoly* (大富翁), and *Xuan Yuan Sword* (軒轅劍) obtained the gold, silver and bronze prizes respectively in the Game Circuit IP (遊戲賽道IP) in China's Annual IP Selection (中國年度IP評選) held by National Intellectual Property Exchange Centre Alliance (國家版權交易中心聯盟) and directed by National Copyright Administration of CPC (中宣部版權管理局). The Group and Beijing Pop Mart Cultural & Creative Corp., Ltd. (北京泡泡瑪特文化創意有限公司) commenced a series of cooperations regarding the IP *Legend of Sword and Fairy* (仙劍奇俠傳), for the joint development of blind box series products. Meanwhile, the Group cooperated with various outstanding partners to develop different figure and toy products, including a variety of high-quality Chinese-trend figures and toys, such as blind boxes of Super Kamii (超級卡米), female character weapons from *Legend of Sword and Fairy* (仙劍奇俠傳), statues of Xiao Ya Ji Lin Yueru (小雅集林月如), and handicrafts of Tang Xuejian (唐雪見). Through various channels, the Group will be able to penetrate the young consumer base to enhance the influence of *Legend of Sword and Fairy* (仙劍奇俠傳) among the young generation. For the six months ended 30 June 2021, the Group's *Legend of Sword and Fairy* Tmall shop had five major categories of products, including cultural and creative items and handicrafts, the sales of which exceeded RMB8.0 million as at 30 June 2021. In the first half of 2021, the Group established a strategic cooperation

with Riot Games Merchandise, Inc. (拳頭遊戲) regarding the world leading game IP *League of Legends* (英雄聯盟). The Group was granted the license to develop including 11 categories of almost a hundred of *League of Legends* (英雄聯盟) related cultural and creative products, creating a new trend of culture and entertainment consumer products.

### **Strategic Cooperations**

The Group also established strategic cooperations with multiple enterprises. In the first half of 2021, the Group entered into a strategic cooperation with Huawei Device Co., Ltd. (華為終端有限公司) (“**Huawei**”) in relation to the gaming business. Both parties will actively engage in comprehensive and in-depth cooperation in areas such as deep game cooperation, IP derivatives and branding, HMS ecology and game competitiveness leveraging on advantageous of Huawei Device’s platform, Huawei mobile services with HMS full-scene ecological capabilities, 5G, public cloud, AI, big-data, etc., and the Group’s quality game content, IP derivatives, etc., to achieve resource sharing and mutual benefit, and establish a stable and sustainable strategic partnership. On 10 May 2021, the Group entered into a cooperation agreement with Bilibili Inc., a company listed on NASDAQ (stock code: BILI) and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 9626), pursuant to which, Bilibili Inc. enjoys the right of first refusal regarding the exclusive licensing of the operation of certain games developed or licensed by the Group, and the granting of exclusive licenses to third parties in respect of the Group’s IP in certain circumstances. At the same time, the Group completed the subscription of new shares by Bilibili Inc. and other subscribers (the “**Subscription**”). The Group received a total net proceeds of approximately HK\$849,150,000 upon completion and the Group intends to apply the net proceeds from the Subscription to further enhance its IP-based game publishing and development business. Further details regarding the use of proceeds from the Subscription are set forth under the section headed “*Use of Proceeds from the Subscription of New Shares by Bilibili Inc. and other Subscribers*” of this announcement.



## Award and Recognition

The Group received the following awards and recognitions for the quality and popularity of its games and services during the year:

| Award/Recognition  | Date of Award | Awarding Institution/Authority  |
|--|---------------|---|
| “Golden Diamond Award”<br>as Most Influential Enterprise<br>of 2020<br>(金鑽獎2020最具影響力企業)  | January 2021  | Association of Game Industry of Guangdong<br>(廣東省遊戲產業協會)  |
| Guangdong Top 500 Enterprise<br>2020<br>(2020廣東企業500強)   | January 2021  | Enterprise Association of Guangdong<br>(廣東省企業聯合會) and<br>Entrepreneur Association of Guangdong<br>(廣東省企業家協會)  |
| Mobile Hardcore Alliance<br>Most Popular Game Company<br>of the Year in The 6th Black<br>Stone Awards<br>(第六屆黑石獎硬核年度最受關注<br>遊戲公司)  | March 2021    | Mobile Hardcore Alliance<br>(硬核聯盟)  |
| Mobile Hardcore Alliance<br>Most Popular Card Game of<br>the Year in The 6th Black<br>Stone Awards: “The New Legend<br>Of The Condor Heroes: Iron Blood<br>and Loyal Heart”<br>(第六屆黑石獎硬核年度最受<br>歡迎卡牌遊戲: 新射鵰群俠傳之<br>鐵血丹心) | March 2021    | Mobile Hardcore Alliance<br>(硬核聯盟)  |
| Mobile Hardcore Alliance<br>Most Anticipated Game of<br>the Year in The 6th Black<br>Stone Awards:<br>“Rakshasa Street: Chosen One”<br>(第六屆黑石獎硬核年度最受期待<br>遊戲: 鎮魂街: 天生為王)   | March 2021    | Mobile Hardcore Alliance<br>(硬核聯盟)  |
| 2020 Brand of the Year<br>(2020年度品牌)   | March 2021    | China Internet Week published by<br>the Chinese Academy of Sciences 中國科學院<br>《互聯網週刊》), IT Research Centre under<br>Chinese Academy of Social Sciences<br>(中國社會科學院信息化研究中心),<br>eNet Research Centre (eNet研究院) and<br>Deben Consultation (Beijing) Co., Ltd.<br>(德本諮詢(北京)有限公司)    |
| Shenzhen Top 100 Cultural<br>Enterprises<br>(深圳文化企業100強)   | April 2021    | Shenzhen Municipal Culture, Radio,<br>Television and Tourism Bureau<br>(深圳市文化廣電旅遊體育局)   |
| 2021 IP Business Innovative<br>Enterprise<br>(2021年度IP商業創新企業)  | June 2021     | China Internet Week published by the<br>Chinese Academy of Sciences<br>(中國科學院《互聯網週刊》),<br>IT Research Centre under Chinese Academy<br>of Social Sciences<br>(中國社會科學院信息化研究中心),<br>eNet Research Centre (eNet研究院) and<br>Deben Consultation (Beijing) Co., Ltd.<br>(德本諮詢(北京)有限公司) |
| National Key Cultural Export<br>Enterprise in 2021-2022<br>(2021-2022年度國家文化出口<br>重點企業)   | August 2021   | Ministry of Commerce of The People’s<br>Republic of China<br>(商務部)  |

## Social Responsibility

The Group has consistently recognised its board social responsibilities by responding to social concerns and actively fulfilling social responsibilities. On 23 April 2021, the Group set up the eighth “CMGE Dream Libraries (中手游築夢圖書館)” in the Central Primary School of Lvcongpo Town, Badong County, Enshi Tujia and Miao Autonomous Prefecture, Hubei (湖北恩施土家族苗族自治州巴東縣綠蔥坡鎮中心小學). Beginning on 20 July 2021, some areas in Henan Province encountered wide-ranging and extremely heavy rainstorms, with severe flooding in various cities. The Group initiated emergency assistance actions for Henan and donated a first installment of RMB1.0 million to the Henan Charity General Federation (河南省慈善總會) for recovering people’s livelihood in the disaster areas, implementing necessary flood prevention, providing daily supplies, and supporting post-disaster recovery. The Group was selected as an “Outstanding Social Responsibility Performance Enterprise (社會責任表現相對突出的企業)” at the 2021 Game Responsibility Forum (2021 遊戲責任論壇) hosted by People’s Daily Online (人民網).

The Group has been committed to creating a healthy game environment for players. All games published by the Group are connected to the real-name authentication system, the anti-addiction system and the reminder of age ratings. The Group has further strengthened the protection of minors in the PRC. No game service is provided to minors from everyday’s 10:00 p.m. to 8:00 a.m. of the following day. The playing time for minors on non-statutory holidays is limited to 1.5 hours per day, and the playing time for minors on statutory holidays is limited to 3 hours per day. Players under the age of 8 are prohibited from making in-game payment. The cumulative monthly consumption limit for minors between the ages of 8 and 16 in the Group’s games shall not exceed RMB200; the cumulative monthly consumption limit for minors between the ages of 16 and 18 in the Group’s games shall not exceed RMB400. In the first half of 2021, players under 18 accounted for approximately 0.026% of the Group’s game revenue in the PRC.

## OUTLOOK FOR THE SECOND HALF OF 2021

### Increase the Investment in Self-developed Business

The Group will continue to increase its investment in its game development business, expand its research and development team, and will continue its strategic deployments in various game genres, covering mobile games, web games, personal computer (PC) games and other terminals to build a strong research and development team. In terms of self-developed new games, the PC game *Sword and Fairy 7* (仙劍奇俠傳七), self-developed by Softstar Technology (Beijing) Co., Ltd. (軟星科技(北京)有限公司) (“**Beijing Softstar**”), a subsidiary of the Group, started pre-orders in July 2021 and will be officially launched on October 2021 with its cloud version being launched soon after that. Beijing Wenmai Hudong Technology Company Limited (北京文脈互動科技有限公司) (“**Wenmai Hudong**”), a wholly-owned subsidiary of the Group, will also launch a self-developed card+SLG mobile game, *Code: World of Castellan* (代號:城主天下), the third-generation mobile game *The World of Legend - Thunder Empire* (傳奇世界之雷霆霸業), and several H5 games and web games in the second half of 2021. After due preparation, the Group has set up various research and development workshops, such as Man Tian Xing Workshop (滿天星工作室), Ling Dian Workshop(零點工作室), and Da Yu Workshop(大禹工作室) in the

first half of 2021, among which, Man Tian Xing Workshop (滿天星工作室) jointly developed an open world RPG cross-platform game *Code: World*(代號:世界) with Softstar Technology (Shanghai) Co., Ltd. (軟星科技(上海)有限公司), a wholly-owned subsidiary of Beijing Softstar, based on a proprietary IP *Legend of Sword and Fairy* (仙劍奇俠傳), and is expected to launch officially in 2023. Ling Dian Workshop(零點工作室) is currently developing a 3D asymmetrical and competitive mini-games *Code: EM*(代號:EM), which is expected to launch officially in 2022. Da Yu Workshop(大禹工作室) which mainly focuses on the development of casual and mobile card games, its project *Code: DF*(代號:DF), which is under development currently, is expected to launch officially in the second half of 2021.

### **Various Major Games will be Published**

In terms of its publishing business, in the second half of 2021, the Group will launch several major games in the Mainland China market. Among which, *Dynasty Warriors: Hegemony* (真·三國無雙霸), developed by Shenzhen EZfun Interactive Technology Co., Ltd. (深圳易帆互動科技有限公司), a developer invested by the Group, and exclusively published by Tencent Games, was officially launched on 10 August 2021 as an action role-playing game (ARPG) game. In the first month of its launch, the game topped the Top Free Games List of Apple's App Store in Mainland China. The new mobile game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), which was developed by the original research and development team of *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) with huge success in 2020, is expected to be launched in the second half of 2021. As the latest generation of the Group's quality card games based on the Group's proprietary IP *Legend of Sword and Fairy* (仙劍奇俠傳), this game will bring its fans a brand new gaming experience. Furthermore, the mobile game *A New Record of a Mortal's Journey to Immortality* (新凡人修仙傳) adapted from the IP *A Record of a Mortal's Journey to Immortality* (凡人修仙傳) will be launched simultaneously with the second season of the animated *A Record of a Mortal's Journey to Immortality* (凡人修仙傳) in the fourth quarter of 2021. *Cultivation Fantasy* (我的御劍日記), developed by Love Games (Shanghai) Internet Technology Co., Ltd. (樂府互娛(上海)網絡科技有限公司), which is invested by the Group, together with many other massive or popular IPs adapted mobile games, including *Drawing Swords: My Individual Team* (亮劍之我的獨立團) and *Rakshasa Street: Chosen One* (鎮魂街:天生為王), have entered the final testing stage, and are expected to launch in the second half of 2021.

### **Strong Overseas Presence**

The overseas market is a core part of the Group's global publishing strategy for IP-based games. The Group will also continue to increase its investment in overseas game operation and marketing, and to bring more high-quality and highly competitive IP based games to overseas markets. In the second half of 2021, *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) will be launched in Vietnam, South Korea and Thailand, and *Reborn!* (家庭教師) will also be launched in South Korea. In the second half of 2021, the Group will launch various new games in Hong Kong, Macau, Taiwan, Southeast Asia, Europe and the United States of America, including, among others, *Soul Land: God of Battle Arise* (斗羅大陸－斗神再臨), *Runaway of the Hominids* (暴走原始人), *Code: DF* (代號:DF), *Code: World of Castellan* (代號:城主天下), *Legend of Sword and*



*Fairy – the Magnificence* (仙劍奇俠傳:九野), *Doomsday Chariots* (末世戰車), *Valonia & Puzzles* (瓦羅尼亞與謎題) and *Hua Jiang Hu: Bei Mo Ting* (畫江湖之杯莫停). Self-developed PC game *Sword and Fairy 7* (仙劍奇俠傳七) will also be launched in overseas markets simultaneously with its launch in Mainland China. In addition, *Dynasty Warriors: Hegemony* (真•三國無雙霸) will be launched in Hong Kong, Macau and Taiwan in the first half of 2022 and in Japan and South Korea subsequently. *The King of Fighters: All Stars* (全明星激鬥), another large-scale IP adaptation mobile game jointly developed by the Group and Nuverse under ByteDance, will also be launched in overseas regions in the first half of 2022. Other games, such as *Drawing Swords: My Individual Team*(亮劍之我的獨立團), *Bao Qingtian* (包青天), *Doomsday Chariots* (末世戰車), will also be launched in overseas market in 2022.

### **Establish a Top-notch Influential Gaming Brand**

On 5 August 2021, the Group conditionally agreed to acquire from Softstar Entertainment Inc. (大字資訊股份有限公司) its 49% indirect equity interest in Beijing Softstar and all IP rights relating to *Legend of Sword and Fairy* (仙劍奇俠傳) registered, licensed or used in China at a total consideration of HK\$641.8 million. Upon completion, the Group will become the sole owner of the IP *Legend of Sword and Fairy* (仙劍奇俠傳)'s registration, license and right-to-use in Mainland China. This acquisition will strengthen the Group's competitiveness in the IP game ecosystem, supporting and securing the stable advancement of the Group's IP game strategy in the long term. Focusing on the future, the Group will create more high quality content and further enrich the user's interactive experience. In the second half of 2021, the Group will jointly produce TV dramas and animations of *Legend of Sword and Fairy 1* (仙劍奇俠傳一) with Tencent Penguin Pictures, jointly produce TV dramas such as *Legend of Sword and Fairy 4* (仙劍奇俠傳四) and *Legend of Sword and Fairy 5 Prequel* (仙劍奇俠傳五前傳) with iQiyi, and launch several movies, animation, movies internet films, internet short dramas, and etc., based on *Legend of Sword and Fairy* (仙劍奇俠傳), among others with Tencent Video, Wanda Media, Boxing Culture (鉅星文化). The literary products based on *Legend of Sword and Fairy 1* (仙劍奇俠傳一), *Legend of Sword and Fairy 2* (仙劍奇俠傳二), *Legend of Sword and Fairy 4* (仙劍奇俠傳四), *Xian Xia Zhuan* (仙霞傳), *Yao Tai Xue* (瑤台雪), and *Qiong Hua Hou Zhuan* (瓊華後傳) are in progress, and are expected to be launched in 2021. The Group intended to launch various mobile games based on *Legend of Sword and Fairy* (仙劍奇俠傳), including *Sword and Fairy: Wen Qing*(新仙劍奇俠傳之揮劍問情), a new mobile game developed by the original team which developed *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart*(新射鵰群俠傳之鐵血丹心), and *Code: World*(代號:世界), an open world RPG cross-platform game jointly developed by the self-owned Man Tian Xing Workshop (滿天星工作室) under the Group and Softstar Technology, which will be launched in the second half of 2021 and 2023 respectively. On the premise of traditional cultural heritage, the Group will dig deeper into the excellent cultural value of the Group's IP, and convey positive values to the outside world, building *Legend of Sword and Fairy* (仙劍奇俠傳) into the world's top influential Chinese game brand, and creating a new high for the influence of IP *Legend of Sword and Fairy* (仙劍奇俠傳), so that the Chinese story and Chinese culture will go further and deeper into people's hearts.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The following sets forth the unaudited condensed consolidated statement of profit or loss for the six months ended 30 June 2021 together with unaudited comparative figures for the six months ended 30 June 2020:

|   | <b>Six months ended</b> |                    |
|---|-------------------------|--------------------|
|   | <b>30 June</b>          |                    |
|   | <b>2021</b>             | <b>2020</b>        |
|   | <b>RMB'000</b>          | <b>RMB'000</b>     |
|   | <b>(Unaudited)</b>      | <b>(Unaudited)</b> |
| <b>Revenue</b>  | <b>2,180,133</b>        | 1,714,036          |
| Cost of sales   | <b>(1,340,502)</b>      | (1,182,578)        |
| <b>Gross profit</b>                                     | <b>839,631</b>          | 531,458            |
| Other income and gains                                  | <b>34,098</b>           | 96,370             |
| Selling and distribution expenses                       | <b>(225,264)</b>        | (102,709)          |
| Administrative expenses                                 | <b>(183,877)</b>        | (166,562)          |
| Impairment losses on financial and contract assets, net | <b>(18,738)</b>         | (16,681)           |
| Other expenses  | <b>(9,653)</b>          | (25,146)           |
| Finance costs   | <b>(11,271)</b>         | (20,650)           |
| Share of losses of a joint venture                      | <b>(3)</b>              | (152)              |
| Share of profits and losses of associates               | <b>(2,307)</b>          | 5,531              |
| <b>Profit before tax</b>                                | <b>422,616</b>          | 301,459            |
| Income tax expense                                      | <b>(44,366)</b>         | (25,398)           |
| <b>Profit for the period</b>                            | <b>378,250</b>          | 276,061            |
| <b>Attributable to owners of the parent</b>             | <b>393,532</b>          | 287,746            |
| Attributable to non-controlling interests               | <b>(15,282)</b>         | (11,685)           |
| <b>Adjusted net profit <sup>(1)</sup></b>               | <b>401,780</b>          | 341,649            |

*Note:*

1. Please refer to the note on page 1 of this announcement.

## Adjusted net profit

The table below sets forth a quantitative reconciliation of the Group's adjusted net profit for the periods indicated:

|   | For the six months ended<br>30 June |                                |
|---|-------------------------------------|--------------------------------|
|   | 2021<br>RMB'000<br>(Unaudited)      | 2020<br>RMB'000<br>(Unaudited) |
| <b>Profit for the period attributable to owners<br/>of the parent</b> | <b>393,532</b>                      | 287,746                        |
| <i>Add:</i>   |                                     |                                |
| Equity-settled share-based expense                                    | <u>8,248</u>                        | <u>53,903</u>                  |
| <b>Adjusted net profit</b>  | <b><u>401,780</u></b>               | <b><u>341,649</u></b>          |

The Group's adjusted net profit increased by approximately 17.6% from RMB341.6 million for the six months ended 30 June 2020 to RMB401.8 million for the six months ended 30 June 2021. As the adjusted net profit excluded a non-operating item that may impact the Group's net profit for the period, i.e. equity-settled share-based expense, it can more closely reflect the Group's operating results during the six months ended 30 June 2021.

## Revenue

The Group derives its revenue from (i) the provision of game publishing services in relation to games developed by third parties; (ii) the licensing and publication of its in-house developed games; and (iii) the licensing of its proprietary IPs to third parties. The table below sets forth the Group's revenue by category for the periods indicated:

|                  | For the six months ended 30 June |                     |                         |                     |
|------------------|----------------------------------|---------------------|-------------------------|---------------------|
|                  | 2021                             |                     | 2020                    |                     |
|                  | RMB'000<br>(Unaudited)           | %                   | RMB'000<br>(Unaudited)  | %                   |
| Game publishing  | <b>1,525,296</b>                 | <b>70.0</b>         | 1,489,101               | 86.9                |
| Game development | <b>567,036</b>                   | <b>26.0</b>         | 220,779                 | 12.9                |
| IP licensing     | <b>87,801</b>                    | <b>4.0</b>          | 4,156                   | 0.2                 |
| <b>Total</b>     | <b><u>2,180,133</u></b>          | <b><u>100.0</u></b> | <b><u>1,714,036</u></b> | <b><u>100.0</u></b> |

The Group's revenue increased by approximately 27.2% from RMB1,714.0 million for the six months ended 30 June 2020 to RMB2,180.1 million for the six months ended 30 June 2021. This increase was primarily attributable to:

- (i) an increase in the Group's game publishing revenue by approximately 2.4% from RMB1,489.1 million for the six months ended 30 June 2020 to RMB1,525.3 million for the six months ended 30 June 2021, primarily as a result of the popularity of the new IP games *Soul Land: God of Battle Arise* (斗羅大陸—

斗神再臨) and *One Piece: The Voyage* (航海王熱血航線) among players soon after their launch in April 2021, which also earned outstanding feedback and contributed significantly to the Group's revenue. Also, *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心), a game launched by the Group in 2020, has maintained stable income in the Mainland China. This game was also launched in the first half of 2021 in various overseas regions such as Hong Kong, Macau, Taiwan, Singapore and Malaysia and was recommended by Apple's App Store several times and delivered excellent performance;

- (ii) an increase in the Group's game development revenue by approximately 156.8% from RMB220.8 million for the six months ended 30 June 2020 to RMB567.0 million for the six months ended 30 June 2021, primarily as a result of the stable performance of *The World of Legend – Thunder Empire* (傳奇世界之雷霆霸業) and *Legend of Dragon City* (龍城傳奇), both developed by Wenmai Hudong, a wholly-owned subsidiary of the Group. Further, the income from self-developed card games of the Group also recorded a relatively higher growth; and
- (iii) an increase in the Group's IP licensing revenue by approximately 2,012.6% from RMB4.2 million for the six months ended 30 June 2020 to RMB87.8 million for the six months ended 30 June 2021, primarily as a result of the licensing income generated from various popular IPs of the Group.

#### Cost of sales

The Group's cost of sales consists primarily of (i) commissions charged by channels; (ii) amortisation of royalties from games and famous IPs held by third-party game developers and the Group; (iii) commissions charged by IPs; and (iv) game development costs. The table below sets forth the Group's cost of sales by category and its contribution to the total revenue of the Group as a percentage for the periods indicated:

|                                  | For the six months ended 30 June |                |                    |                |
|----------------------------------|----------------------------------|----------------|--------------------|----------------|
|                                  | 2021                             |                | 2020               |                |
|                                  | <i>RMB'000</i>                   | <i>% to</i>    | <i>RMB'000</i>     | <i>% to</i>    |
|                                  | <i>(Unaudited)</i>               | <i>Revenue</i> | <i>(Unaudited)</i> | <i>Revenue</i> |
| Commissions charged by channels  | 1,147,316                        | 52.6           | 1,110,840          | 64.9           |
| Commissions charged by IP owners | 94,228                           | 0.7            | 7,081              | 0.4            |
| Amortisation of IP royalties     | 15,724                           | 0.7            | 13,532             | 0.8            |
| Amortisation of game royalties   | 15,433                           | 4.3            | 17,915             | 1.0            |
| Game development costs           | 12,600                           | 0.6            | 15,400             | 0.9            |
| Others <sup>(1)</sup>            | 55,201                           | 2.6            | 17,810             | 1.0            |
| <b>Total</b>                     | <b>1,340,502</b>                 | <b>61.5</b>    | <b>1,182,578</b>   | <b>69.0</b>    |

Note:

- (1) Other costs of sales include, among others, amortisation of software copyright, taxation and sundry expenses.

The Group's cost of sales increased by approximately 13.4% from RMB1,182.6 million for the six months ended 30 June 2020 to RMB1,340.5 million for the six months ended 30 June 2021. This increase was primarily attributable to (i) the increase in the Group's total revenue; and (ii) the sharing of revenue with IP owners for certain games with excellent performance published by the Group, such as *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心), *Soul Land: God of Battle Arise* (斗羅大陸－斗神再臨), and *One Piece: The Voyage* (航海王熱血航線).

### Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by approximately 58.0% from RMB531.5 million for the six months ended 30 June 2020 to RMB839.6 million for the six months ended 30 June 2021. The Group's gross profit margin increased from 31.0% for the six months ended 30 June 2020 to 38.5% for the six months ended 30 June 2021. These increases were mainly due to the increase in the revenue shared by the Group from the primarily launched IP based games *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心), *Soul Land: God of Battle Arise* (斗羅大陸－斗神再臨) and *One Piece: The Voyage* (航海王熱血航線). Coupled with robust growth in income of its overseas game publishing business, the Group enjoyed an increase in revenue sharing in the overseas region.

### Other income and gains

The Group's other income and gains consist primarily of (i) bank interest income; (ii) government grants; and (iii) fair value gains on financial assets at fair value through profit or loss. The table below sets forth the Group's other income and gains by category for the periods indicated:

|   | For the six months ended 30 June |              |               |              |
|---|----------------------------------|--------------|---------------|--------------|
|   | 2021                             |              | 2020          |              |
|   | RMB'000                          | %            | RMB'000       | %            |
|   | (Unaudited)                      |              | (Unaudited)   |              |
| Bank interest income  | 6,925                            | 20.3         | 3,052         | 3.2          |
| Government grants   | 10,599                           | 31.1         | 12,642        | 13.1         |
| Fair value adjustment of<br>contingent consideration                            | 2,670                            | 7.8          | —             | —            |
| Fair value gains on financial<br>assets at fair value<br>through profit or loss | 10,790                           | 31.6         | 53,589        | 55.6         |
| Gain on disposal of an<br>investment in an associate                            | —                                | —            | 23,752        | 24.6         |
| Others  | 3,114                            | 9.2          | 3,335         | 3.5          |
| <b>Total</b>  | <b>34,098</b>                    | <b>100.0</b> | <b>96,370</b> | <b>100.0</b> |

The Group's other income and gains decreased by approximately 64.6% from RMB96.4 million for the six months ended 30 June 2020 to RMB34.1 million for the six months ended 30 June 2021. The decrease was primarily attributable to the stable in fair values maintained by multiple financial assets at fair value through profit or loss.



## Selling and distribution expenses

The Group's selling and distribution expenses consist primarily of (i) marketing expenses; and (ii) salaries and welfare for its sales and marketing team. The table below sets forth the Group's selling and distribution expenses by category and its contribution to the total revenue of the Group as a percentage for the periods indicated:

|                            | For the six months ended 30 June |                |                    |                |
|----------------------------|----------------------------------|----------------|--------------------|----------------|
|                            | 2021                             |                | 2020               |                |
|                            | <i>RMB'000</i>                   | <i>% to</i>    | <i>RMB'000</i>     | <i>% to</i>    |
|                            | <i>(Unaudited)</i>               | <i>Revenue</i> | <i>(Unaudited)</i> | <i>Revenue</i> |
| Marketing expenses         | 194,115                          | 8.9            | 85,055             | 4.9            |
| Salaries and welfare       | 28,048                           | 1.3            | 16,339             | 1.0            |
| Office costs and utilities | 2,426                            | 0.1            | 913                | 0.1            |
| Others                     | 675                              | 0.0            | 402                | 0.0            |
| <b>Total</b>               | <b>225,264</b>                   | <b>10.3</b>    | <b>102,709</b>     | <b>6.0</b>     |

The Group's selling and distribution expenses increased by approximately 119.3% from RMB102.7 million for the six months ended 30 June 2020 to RMB225.3 million for the six months ended 30 June 2021. This increase was primarily attributable to (i) increases in the Group's total revenue; (ii) the Group's large scale promotion effort in overseas regions for *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵬群俠傳之鐵血丹心); and (iii) the Group's large scale promotion effort in the Mainland China for its newly launched game *Soul Land: God of Battle Arise* (斗羅大陸—斗神再臨) in the first half of 2021.

## Administrative expenses

The Group's administrative expenses consist primarily of (i) salaries and welfare for management and administrative departments; and (ii) research and development expenses. The table below sets forth the Group's administrative expenses by category and its contribution to the total revenue of the Group as a percentage for the periods indicated:

|                                   | For the six months ended 30 June |                |                    |                |
|-----------------------------------|----------------------------------|----------------|--------------------|----------------|
|                                   | 2021                             |                | 2020               |                |
|                                   | <i>RMB'000</i>                   | <i>% to</i>    | <i>RMB'000</i>     | <i>% to</i>    |
|                                   | <i>(Unaudited)</i>               | <i>Revenue</i> | <i>(Unaudited)</i> | <i>Revenue</i> |
| Salaries and welfare              | 36,201                           | 1.7            | 69,345             | 4.0            |
| Office costs and utilities        | 23,114                           | 1.0            | 16,382             | 1.0            |
| Research and development expenses | 123,770                          | 5.7            | 79,637             | 4.6            |
| Others                            | 792                              | 0.0            | 1,198              | 0.1            |
| <b>Total</b>                      | <b>183,877</b>                   | <b>8.4</b>     | <b>166,562</b>     | <b>9.7</b>     |

The Group's administrative expenses increased by approximately 10.4% from RMB166.6 million for the six months ended 30 June 2020 to RMB183.9 million for the six months ended 30 June 2021. This increase was primarily attributable to an increase in the Group's investment in the research and development business. The research and development expenses increased by approximately 55.4% from RMB79.6 million for the six months ended 30 June 2020 to RMB123.8 million for the six months ended 30 June 2021.

#### **Impairment losses on financial and contract assets, net**

The Group's net impairment losses on financial and contract assets represent impairment loss of trade receivables. The Group's impairment losses on financial and contract assets increased by approximately 12.3% from RMB16.7 million for the six months ended 30 June 2020 to RMB18.7 million for the six months ended 30 June 2021 under the relevant management policies of the Group adopted in accordance with HKFRS 9.

#### **Other expenses**

The Group's other expenses decreased by approximately 61.6% from RMB25.1 million for the six months ended 30 June 2020 to RMB9.7 million for the six months ended 30 June 2021. This decrease was primarily attributable to the recognition of a RMB14.5 million lower fair value adjustment of the consideration payable for the acquisition of Wenmai Hudong by the Group for the six months ended 30 June 2021 in comparison to that for the six months ended 30 June 2020.

#### **Finance costs**

The Group's finance costs mainly consist of interest expenses. The Group's finance costs decreased by approximately 45.4% from RMB20.7 million for the six months ended 30 June 2020 to RMB11.3 million for the six months ended 30 June 2021, which was mainly due to a decrease in the interest expenses of Group's bank borrowings.

#### **Share of losses of a joint venture**

As at 30 June 2021, the Group held a 60% equity interest in Shenzhen Boliang Technology Co., Ltd. (深圳博良科技有限公司), which is considered as a joint venture of the Group under applicable accounting policies.

The Group's share of losses of a joint venture decreased by approximately 98.0% from RMB0.15 million for the six months ended 30 June 2020 to RMB3,000 for the six months ended 30 June 2021, which was primarily attributable to the decrease in loss recorded by the joint venture, Shenzhen Boliang Technology Co., Ltd., during the Reporting Period.

#### **Share of profits and losses of associates**

As at 30 June 2021, the Group held minority equity interests in certain associated companies. The Group's share of profits and losses of associates experienced losses of RMB2.3 million for the six months ended 30 June 2021, in contrast of profits of RMB5.5 million recorded for the six months ended 30 June 2020. It was primarily attributable to an increase in research and development expenses of an associated company, Shanghai Fengguo Network Information (上海蜂巢網絡科技有限公司), resulting in a loss during the Reporting Period.

### **Profit before tax**

As a result of the foregoing, the Group's profit before tax increased by approximately 40.2% from RMB301.5 million for the six months ended 30 June 2020 to RMB422.6 million for the six months ended 30 June 2021.

### **Income tax expense**

The Group's income tax expense increased by approximately 74.7% from RMB25.4 million for the six months ended 30 June 2020 to RMB44.4 million for the six months ended 30 June 2021. This increase was primarily attributable to the significant increase of the Group's profit before tax for the six months ended 30 June 2021.

### **Profit for the period**

As a result of the foregoing, the Group's profit for the period increased by approximately 37.0% from RMB276.1 million for the six months ended 30 June 2020 to RMB378.3 million for the six months ended 30 June 2021.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group adopts a prudent treasury management policy to ensure that the Group maintains a healthy financial position.

The Group's total cash and cash equivalents increased by approximately 33.3% from RMB794.9 million as at 31 December 2020 to RMB1,059.8 million as at 30 June 2021. This increase was primarily attributable to the time deposits released on maturity and restricted cash during the six months ended 30 June 2021, which decreased the time deposits and restricted cash from RMB799.2 million as at 31 December 2020 to RMB499.0 million as at 30 June 2021.

As at 30 June 2021, the current assets of the Group amounted to approximately RMB3,510.5 million, and the current liabilities of the Group amounted to approximately RMB1,222.6 million.

As at 30 June 2021, the current ratio (being the current assets divided by current liabilities as at the end of each period) of the Group was 2.9 times as compared with 2.1 times as at 31 December 2020, which ratio was relatively stable as at 31 December 2020 and 30 June 2021.

As at 30 June 2021, the gearing ratio (being the total debt divided by total equity as at the end of each period) of the Group was 8.0% as compared with 9.4% as at 31 December 2020, which ratio was relatively stable as at 31 December 2020 and 30 June 2021.

### **Indebtedness**

During the Reporting Period, the Group obtained bank borrowings of RMB298.1 million and repaid bank borrowings of RMB295.2 million.

As at 30 June 2021, the Group had interest-bearing bank and other borrowings of RMB454.3 million (31 December 2020: RMB451.4 million), including (i) unsecured bank borrowings amounting to RMB262.3 million; (ii) bank borrowings amounting to RMB167.0 million, secured by the pledge of the Group's time deposits in the sum of RMB196.0 million; and (iii) a borrowing amounting to RMB25.0 million, secured by a computer software copyright. The Group's effective interest rates on its secured bank and other borrowings ranged from 4.50% to 4.96%, and the Group's effective interest rates on its unsecured bank borrowings ranged from 4.50% to 5.50%.

As at 30 June 2021, the lease liabilities of the Group were RMB29.6 million (31 December 2020: RMB27.6 million).

### **Off-balance sheet commitments and arrangements**

As at 30 June 2021, the Group did not enter into any off-balance sheet transactions (31 December 2020: Nil).

### **Pledges of assets**

Among the total bank and other borrowings of the Group as at 30 June 2021, approximately RMB192.0 million (31 December 2020: RMB332.2 million) were secured, which accounted for approximately 42.3% (31 December 2020: 73.6%) of the Group's total borrowings.

### **Capital expenditures**

The Group's historical capital expenditures primarily included royalties paid to game developers and IP owners. The Group funded its capital expenditure requirements during the six months ended 30 June 2021 mainly with its internal resources, net proceeds from the listing of the Company's shares on the Stock Exchange on 31 October 2019 (the "**Listing**"), the top-up placing on 4 December 2020 (the "**Top-up Placing**") and the Subscription.

The Group's capital commitments as at 31 December 2020 and 30 June 2021 amounted to RMB43.7 million and RMB120.8 million, respectively. The Group's capital commitments as at 30 June 2021 was primarily for the purchase of IP, game licenses and equity investments.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

|   | Notes | 2021<br><i>RMB'000</i><br>(Unaudited) | 2020<br><i>RMB'000</i><br>(Unaudited) |
|---|-------|---------------------------------------|---------------------------------------|
| <b>REVENUE</b>  | 5     | <b>2,180,133</b>                      | 1,714,036                             |
| Cost of sales   |       | <u>(1,340,502)</u>                    | <u>(1,182,578)</u>                    |
| Gross profit  |       | <b>839,631</b>                        | 531,458                               |
| Other income and gains  |       | <b>34,098</b>                         | 96,370                                |
| Selling and distribution expenses   |       | <b>(225,264)</b>                      | (102,709)                             |
| Administrative expenses   |       | <b>(183,877)</b>                      | (166,562)                             |
| Impairment losses on<br>financial and contract assets, net                                      |       | <b>(18,738)</b>                       | (16,681)                              |
| Other expenses  |       | <b>(9,653)</b>                        | (25,146)                              |
| Finance costs   |       | <b>(11,271)</b>                       | (20,650)                              |
| Share of profits and losses of:   |       |                                       |                                       |
| A joint venture   |       | <b>(3)</b>                            | (152)                                 |
| Associates  |       | <b>(2,307)</b>                        | 5,531                                 |
| <b>PROFIT BEFORE TAX</b>  | 6     | <b>422,616</b>                        | 301,459                               |
| Income tax expense  | 7     | <u><b>(44,366)</b></u>                | <u>(25,398)</u>                       |
| <b>PROFIT FOR THE PERIOD</b>  |       | <u><b>378,250</b></u>                 | <u>276,061</u>                        |
| Attributable to:  |       |                                       |                                       |
| Owners of the parent  |       | <b>393,532</b>                        | 287,746                               |
| Non-controlling interests   |       | <u><b>(15,282)</b></u>                | <u>(11,685)</u>                       |
| <b>EARNINGS PER SHARE<br/>ATTRIBUTABLE TO<br/>ORDINARY EQUITY<br/>HOLDERS OF<br/>THE PARENT</b> | 9     |                                       |                                       |
| Basic and diluted   |       |                                       |                                       |
| – For profit for the period   |       | <u><b>RMB15.23 cents</b></u>          | <u>RMB12.35 cents</u>                 |



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

|   | <b>2021</b>            | 2020            |
|---|------------------------|-----------------|
|   | <b><i>RMB'000</i></b>  | <i>RMB'000</i>  |
|   | <b>(Unaudited)</b>     | (Unaudited)     |
| <b>PROFIT FOR THE PERIOD</b>  | <b><u>378,250</u></b>  | <u>276,061</u>  |
| <b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>  |                        |                 |
| Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:         |                        |                 |
| Exchange differences on translation of foreign operations   | (432)                  | 388             |
| Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods      | <u>(432)</u>           | <u>388</u>      |
| Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:    |                        |                 |
| Exchange differences on translation of foreign operations   | (15,444)               | 23,993          |
| Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods | <u>(15,444)</u>        | <u>23,993</u>   |
| <b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX</b>   | <b><u>(15,876)</u></b> | <u>24,381</u>   |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>  | <b><u>362,374</u></b>  | <u>300,442</u>  |
| Attributable to:  |                        |                 |
| Owners of the parent  | 377,656                | 312,127         |
| Non-controlling interests   | <u>(15,282)</u>        | <u>(11,685)</u> |
|   | <b><u>362,374</u></b>  | <u>300,442</u>  |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

|  | Notes | 30 June<br>2021<br><i>RMB'000</i><br>(Unaudited) | 31 December<br>2020<br><i>RMB'000</i><br>(Audited) |
|--|-------|--|--|
| <b>NON-CURRENT ASSETS</b>                                |       |  |  |
| Property and equipment                                   |       | 6,947  | 5,847  |
| Right-of-use assets                                      |       | 29,331   | 27,732   |
| Goodwill   |       | 1,107,937  | 1,107,937  |
| Other intangible assets                                  |       | 133,085  | 154,555  |
| Investment in a joint venture                            |       | 8,820  | 8,823  |
| Investments in associates                                |       | 94,237   | 96,544   |
| Financial assets at fair value<br>through profit or loss |       | 1,733,284  | 1,539,312  |
| Deferred tax assets                                      |       | 53,369   | 49,262   |
| Prepayments  | 11    | 451,230  | 330,766  |
| Total non-current assets                                 |       | 3,618,240  | 3,320,778  |
| <b>CURRENT ASSETS</b>                                    |       |  |  |
| Trade receivables  | 10    | 1,273,283  | 882,644  |
| Prepayments, other receivables<br>and other assets       | 11    | 650,725  | 519,806  |
| Due from related parties                                 |       | 27,673   | 13,319   |
| Time deposits and restricted cash                        |       | 498,962  | 799,164  |
| Cash and cash equivalents                                |       | 1,059,820  | 794,888  |
| Total current assets                                     |       | 3,510,463  | 3,009,821  |
| <b>CURRENT LIABILITIES</b>                               |       |  |  |
| Trade payables   | 12    | 350,053  | 268,720  |
| Other payables and accruals                              |       | 230,616  | 572,121  |
| Interest-bearing bank<br>and other borrowings            |       | 454,272  | 451,350  |
| Tax payable  |       | 156,157  | 137,632  |
| Due to related parties                                   |       | 15,650   | 19,298   |
| Lease liabilities  |       | 15,837   | 14,718   |
| Total current liabilities                                |       | 1,222,585  | 1,463,839  |

|  | <b>30 June<br/>2021</b>        | 31 December<br>2020     |
|--|--------------------------------|-------------------------|
|  | <b>RMB'000</b>                 | <b>RMB'000</b>          |
|  | <b>(Unaudited)</b>             | <b>(Audited)</b>        |
| <b>NET CURRENT ASSETS</b>                              | <b><u>2,287,878</u></b>        | <u>1,545,982</u>        |
| <b>TOTAL ASSETS LESS CURRENT<br/>LIABILITIES</b>       | <b><u>5,906,118</u></b>        | <u>4,866,760</u>        |
| <b>NON-CURRENT LIABILITIES</b>                         |                                |                         |
| Deferred tax liabilities                               | <b>53,562</b>                  | 53,014                  |
| Contingent consideration for<br>business combination   | <b>175,028</b>                 | —                       |
| Lease liabilities                                      | <b><u>13,760</u></b>           | <u>12,890</u>           |
| Total non-current liabilities                          | <b><u>242,350</u></b>          | <u>65,904</u>           |
| Net assets   | <b><u><u>5,663,768</u></u></b> | <u><u>4,800,856</u></u> |
| <b>EQUITY</b>  |                                |                         |
| <b>Equity attributable to owners<br/>of the parent</b> |                                |                         |
| Issued capital   | <b>1,925</b>                   | 1,759                   |
| Reserves   | <b><u>5,580,708</u></b>        | <u>4,702,680</u>        |
|  | <b>5,582,633</b>               | 4,704,439               |
| Non-controlling interests                              | <b><u>81,135</u></b>           | <u>96,417</u>           |
| Total equity   | <b><u><u>5,663,768</u></u></b> | <u><u>4,800,856</u></u> |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

### 1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 20 March 2018 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands. The registered address of the office of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in mobile game publishing, game development and investment business in the Mainland China, overseas countries and regions.

### 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

|   |  |
|---|--|
| Amendments to HKFRS 9,<br>HKAS 39, HKFRS 7, HKFRS 4<br>and HKFRS 16 | <i>Interest Rate Benchmark Reform – Phase 2</i>                                  |
| Amendment to HKFRS 16   | <i>Covid-19-Related Rent Concessions</i>   |
| Amendment to HKFRS 16   | <i>Covid-19-Related Rent Concessions beyond 30 June 2021<br/>(early adopted)</i> |

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The Group expects these amendments will not have significant impact on the Group's financial performance and financial position.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group expects these amendments will not have significant impact on the Group's financial performance and financial position.

#### 4. OPERATING SEGMENT INFORMATION

For the six months ended 30 June 2021

| Segments   | Game<br>Publishing<br>RMB'000<br>(Unaudited) | Game<br>Development<br>RMB'000<br>(Unaudited) | Licensing of<br>Intellectual<br>Property<br>RMB'000<br>(Unaudited) | Total<br>RMB'000<br>(Unaudited) |
|--|--|---|--|---------------------------------|
| <b>Segment revenue (note 5)</b>                            |  |   |  |                                 |
| Sales to external customers                                | 1,525,296                                    | 567,036                                       | 87,801   | 2,180,133                       |
| Intersegment sales   | —  | 321,299                                       | —  | 321,299                         |
|  | <u>1,525,296</u>                             | <u>888,335</u>                                | <u>87,801</u>  | <u>2,501,432</u>                |
| Reconciliation:  |  |   |  |                                 |
| Elimination of intersegment sales                          |  |   |  | <u>321,299</u>                  |
| Total revenue from contracts<br>with customers             |  |   |  | <u><u>2,180,133</u></u>         |
| Segment results  | 513,951                                      | 263,144                                       | 62,536   | 839,631                         |
| Reconciliation:  |  |   |  |                                 |
| Other income and gains                                     |  |   |  | 34,098                          |
| Selling and distribution expenses                          |  |   |  | (225,264)                       |
| Administrative expenses                                    |  |   |  | (183,877)                       |
| Impairment losses on financial<br>and contract assets, net |  |   |  | (18,738)                        |
| Other expenses   |  |   |  | (9,653)                         |
| Finance costs  |  |   |  | (11,271)                        |
| Share of profits and losses of:                            |  |   |  |                                 |
| A joint venture  |  |   |  | (3)                             |
| Associates   |  |   |  | <u>(2,307)</u>                  |
| <b>PROFIT BEFORE TAX</b>                                   |  |   |  | <u><u>422,616</u></u>           |



**For the six months ended 30 June 2020**

| <b>Segments</b>  | Game<br>Publishing<br>RMB'000<br>(Unaudited) | Game<br>Development<br>RMB'000<br>(Unaudited) | Licensing of<br>Intellectual<br>Property<br>RMB'000<br>(Unaudited) | Total<br>RMB'000<br>(Unaudited) |
|--|--|---|--|---------------------------------|
| <b>Segment revenue (note 5)</b>                            |  |   |  |                                 |
| Sales to external customers                                | 1,489,101                                    | 220,779                                       | 4,156  | 1,714,036                       |
| Intersegment sales   | —  | 387,037                                       | —  | 387,037                         |
|  | <u>1,489,101</u>                             | <u>607,816</u>                                | <u>4,156</u>   | <u>2,101,073</u>                |
| Reconciliation:  |  |   |  |                                 |
| Elimination of intersegment sales                          |  |   |  | <u>(387,037)</u>                |
| Total revenue from contracts<br>with customers             |  |   |  | <u><u>1,714,036</u></u>         |
| Segment results  | 422,649                                      | 110,987                                       | (2,178)  | 531,458                         |
| Reconciliation:  |  |   |  |                                 |
| Other income and gains                                     |  |   |  | 96,370                          |
| Selling and distribution expenses                          |  |   |  | (102,709)                       |
| Administrative expenses                                    |  |   |  | (166,562)                       |
| Impairment losses on financial<br>and contract assets, net |  |   |  | (16,681)                        |
| Other expenses   |  |   |  | (25,146)                        |
| Finance costs  |  |   |  | (20,650)                        |
| Share of profits and losses of:                            |  |   |  |                                 |
| A joint venture  |  |   |  | (152)                           |
| Associates   |  |   |  | <u>5,531</u>                    |
| <b>PROFIT BEFORE TAX</b>                                   |  |   |  | <u><u>301,459</u></u>           |

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

Revenue from contracts with customers

Disaggregated revenue information for revenue from contracts with customers

**For the six months ended 30 June 2021**

| Segments                                       | Game<br>Publishing<br>RMB'000<br>(Unaudited) | Game<br>Development<br>RMB'000<br>(Unaudited) | Licensing of<br>Intellectual<br>Property<br>RMB'000<br>(Unaudited) | Total<br>RMB'000<br>(Unaudited) |
|--|--|---|--|---------------------------------|
| <b>Types of goods or services</b>              |  |   |  |                                 |
| Mobile game publishing services                | 1,525,296                                    | —   | —  | 1,525,296                       |
| Game development<br>related services           | —  | 567,036                                       | —  | 567,036                         |
| Licensing of intellectual property             | —  | —   | 87,801   | 87,801                          |
| Total revenue from<br>contracts with customers | <u>1,525,296</u>                             | <u>567,036</u>                                | <u>87,801</u>  | <u>2,180,133</u>                |
| <b>Geographical markets</b>                    |  |   |  |                                 |
| Mainland China                                 | 1,305,636                                    | 567,036                                       | 87,801   | 1,960,473                       |
| Other countries/regions                        | 219,660                                      | —   | —  | 219,660                         |
| Total revenue from<br>contracts with customers | <u>1,525,296</u>                             | <u>567,036</u>                                | <u>87,801</u>  | <u>2,180,133</u>                |
| <b>Timing of revenue recognition</b>           |  |   |  |                                 |
| Services transferred over time                 | 1,525,296                                    | 497,499                                       | 38,388   | 2,061,183                       |
| Services transferred at<br>a point in time     | —  | 69,537  | 49,413   | 118,950                         |
| Total revenue from<br>contracts with customers | <u>1,525,296</u>                             | <u>567,036</u>                                | <u>87,801</u>  | <u>2,180,133</u>                |

**For the six months ended 30 June 2020**

| <b>Segments</b>                                | Game<br>Publishing<br>RMB'000<br>(Unaudited) | Game<br>Development<br>RMB'000<br>(Unaudited) | Licensing of<br>Intellectual<br>Property<br>RMB'000<br>(Unaudited) | Total<br>RMB'000<br>(Unaudited) |
|--|--|---|--|---------------------------------|
| <b>Types of goods or services</b>              |  |   |  |                                 |
| Mobile game publishing services                | 1,489,101                                    | —   | —  | 1,489,101                       |
| Game development<br>related services           | —  | 220,779                                       | —  | 220,779                         |
| Licensing of intellectual property             | —  | —   | 4,156  | 4,156                           |
| Total revenue from<br>contracts with customers | <u>1,489,101</u>                             | <u>220,779</u>                                | <u>4,156</u>   | <u>1,714,036</u>                |
| <b>Geographical markets</b>                    |  |   |  |                                 |
| Mainland China                                 | 1,485,642                                    | 220,779                                       | 4,156  | 1,710,577                       |
| Other countries/regions                        | <u>3,459</u>                                 | —   | —  | <u>3,459</u>                    |
| Total revenue from<br>contracts with customers | <u>1,489,101</u>                             | <u>220,779</u>                                | <u>4,156</u>   | <u>1,714,036</u>                |
| <b>Timing of revenue recognition</b>           |  |   |  |                                 |
| Services transferred over time                 | 1,489,101                                    | 192,477                                       | —  | 1,681,578                       |
| Services transferred at<br>a point in time     | —  | <u>28,302</u>                                 | <u>4,156</u>   | <u>32,458</u>                   |
| Total revenue from<br>contracts with customers | <u>1,489,101</u>                             | <u>220,779</u>                                | <u>4,156</u>   | <u>1,714,036</u>                |

## 6. PROFIT BEFORE TAX

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

|  | For the six months<br>ended 30 June |                                |
|--|-------------------------------------|--------------------------------|
|  | 2021<br>RMB'000<br>(Unaudited)      | 2020<br>RMB'000<br>(Unaudited) |
| Commissions charged by channels  | 1,147,316                           | 1,110,840                      |
| Commissions charged by IPs   | 94,228                              | 17,915                         |
| Game development cost  | 12,600                              | 15,400                         |
| Promotion expenses   | 194,115                             | 85,055                         |
| Employee benefit expense (including<br>directors' and chief executive's remuneration): |                                     |                                |
| Wages and salaries   | 115,571                             | 89,492                         |
| Equity-settled share-based expense   | 8,248                               | 53,903                         |
| Pension scheme contributions<br>(defined contribution scheme)                          | 12,428                              | 1,925                          |
|  | <b>136,247</b>                      | <b>145,320</b>                 |
| Depreciation of property and equipment   | 1,555                               | 1,471                          |
| Depreciation of right-of-use assets  | 10,284                              | 9,545                          |
| Amortisation of other intangible assets*   | 39,204                              | 34,895                         |
| Research and development costs   | 123,770                             | 79,637                         |
| Lease payments not included in the<br>measurement of lease liabilities                 | 977                                 | 32                             |
| Foreign exchange differences, net  | (1,407)                             | 2,088                          |
| Impairment losses on financial and<br>contract assets, net:                            |                                     |                                |
| Impairment of trade receivables, net**   | 18,738                              | 16,681                         |
| Write-off of prepayments, net***   | 3,283                               | 6,729                          |
| Impairment of other intangible assets****  | 6,018                               | 442                            |
| Bank interest income   | (6,925)                             | (3,052)                        |
| Loss/(gain) on disposal of items of<br>property and equipment                          | 259                                 | (14)                           |
| Auditor's remuneration   | 1,050                               | 900                            |
| Gain on disposal of an investment in an associate                                      | —                                   | (23,752)                       |
| Fair value gains on financial assets at fair value<br>through profit or loss           | (10,790)                            | (53,589)                       |
| Fair value adjustment of contingent consideration                                      | (2,670)                             | 14,508                         |

\* The amortisation of other intangible assets is included in "cost of sales" in the consolidated statement of profit or loss.

\*\* Impairment of trade receivables is included in "impairment losses on financial and contract assets" in the consolidated statement of profit or loss.

\*\*\* Write-off of prepayments is included in "other expenses" in the consolidated statement of profit or loss.

\*\*\*\* Impairment of other intangible assets is included in "other expenses" in the consolidated statement of profit or loss.

## 7. INCOME TAX

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

Pursuant to the rules and regulations of the British Virgin Islands (the “**BVI**”) and Cayman Islands (the “**Cayman**”), the Group is not subject to any income tax in the BVI and the Cayman.

Hong Kong profits tax rate is 16.5% (2020: 16.5%). But under the two-tiered profits tax rates regime, the first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

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

Shenzhen Douyue Network Technology Co., Ltd. and China Mobile Games and Entertainment Group Limited Shenzhen were accredited as a high and new technology enterprise (“**HNTE**”) and the certificate is valid for three years since 2020. For the years ending 31 December 2021 and 31 December 2022, Shenzhen Douyue Network Technology Co., Ltd. and China Mobile Games and Entertainment Group Limited Shenzhen were entitled to a tax rate of 15%. The HNTE certificate needs to be renewed every three years so as to enable Shenzhen Douyue Network Technology Co., Ltd. and China Mobile Games and Entertainment Group Limited Shenzhen to enjoy the reduced tax rate of 15%.

Beijing Wenmai Hudong Technology Company Limited was accredited as a HNTE and the certificate is valid for three years since its renewal in 2019. For the years ending 31 December 2020 and 31 December 2021, Beijing Wenmai Hudong Technology Company Limited was entitled to a tax rate of 15%. The HNTE certificate needs to be renewed every three years so as to enable Beijing Wenmai Hudong Technology Company Limited to enjoy the reduced tax rate of 15%.

Beijing Zhongsheng Huyu Entertainment Technology Company Limited was accredited as a “software enterprise” in 2020 under relevant PRC laws and regulations. It was entitled to tax exemption from 2019 to 2020 and entitled to a preferential CIT rate of 12.5% from 2021 to 2023.

Shengyue Software (Shenzhen) Company Limited was accredited as a “software enterprise” in 2019 under relevant PRC laws and regulations. Accordingly, it was entitled to tax exemption from 2019 to 2020 and was entitled to a preferential CIT rate of 12.5% from 2021 to 2023.

Horgos Wenmai Hudong Technology Company Limited was established in the Horgos Development Zone of Xinjiang in 2020. According to the applicable regulations promulgated by the State Council and relevant authorities, it was entitled to tax exemption for five years beginning with the tax year of the first production and operation income from 2020 to 2024.

Tibet Jichuang Internet Technology Co., Ltd. was established in Lhasa Tibet. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Tibet Jichuang Internet Technology Co., Ltd. was 15% for the year ending 31 December 2021.

Hainan Chuangyue Technology Company Limited and Hainan Zhanshen Internet Technology Company Limited were established in the Hainan Free Trade Port. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Hainan Chuangyue Technology Company Limited and Hainan Zhanshen Internet Technology Company Limited was 15% for the year ending 31 December 2021.

The major components of the income tax expense for the period are as follows:

|                                 | <b>For the six months<br/>ended 30 June</b> |                      |
|---------------------------------|---|----------------------|
|                                 | <b>2021</b>                                 | 2020                 |
|                                 | <b>RMB'000</b>                              | RMB'000              |
|                                 | <b>(Unaudited)</b>                          | (Unaudited)          |
| Current Tax Expense             |   |                      |
| PRC                             | <u>47,926</u>                               | <u>27,983</u>        |
| Deferred Tax Credit             |   |                      |
| PRC                             | <u>(3,560)</u>                              | <u>(2,585)</u>       |
| Total tax charge for the period | <u><u>44,366</u></u>                        | <u><u>25,398</u></u> |



## 8. DIVIDENDS

The Board of Directors declared not to pay any interim dividend to the shareholders in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,584,242,818 (30 June 2020: 2,330,150,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

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

|   | <b>For the six months<br/>ended 30 June</b> |                    |
|---|---|--------------------|
|   | <b>2021</b>                                 | <b>2020</b>        |
|   | <b>RMB'000</b>                              | <b>RMB'000</b>     |
|   | <b>(Unaudited)</b>                          | <b>(Unaudited)</b> |
| <b>Earnings</b>   |   |                    |
| Profit attributable to ordinary equity holders of the parent,<br>used in the basic earnings per share calculation         | <u>393,532</u>                              | <u>287,746</u>     |
|   |   |                    |
|   | <b>For the six months<br/>ended 30 June</b> |                    |
|   | <b>2021</b>                                 | <b>2020</b>        |
|   | <b>(Unaudited)</b>                          | <b>(Unaudited)</b> |
| <b>Shares</b>   |   |                    |
| Weighted average number of ordinary shares in issue during<br>the period used in the basic earnings per share calculation | <b>2,584,242,818</b>                        | 2,330,150,000      |

  

|                          | <b>30 June</b>          | <b>31 December</b> |
|--------------------------|-------------------------|--------------------|
|                          | <b>2021</b>             | <b>2020</b>        |
|                          | <b>RMB'000</b>          | <b>RMB'000</b>     |
|                          | <b>(Unaudited)</b>      | <b>(Audited)</b>   |
| Trade receivables        | <b>1,359,159</b>        | 954,790            |
| Allowance for impairment | <u>(85,876)</u>         | <u>(72,146)</u>    |
|                          | <u><b>1,273,283</b></u> | <u>882,644</u>     |

Trade receivables mainly represent amounts receivable from third-party publishing channels or other counterparties. The Group normally allows credit terms of 180 days to established channels and other counterparties and extends credit terms up to 270 days for major channels or other major counterparties. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

|                      | <b>30 June<br/>2021<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2020<br>RMB'000<br>(Audited) |
|----------------------|---|---|
| Within 6 months      | <b>829,791</b>                                      | 605,207                                     |
| 6 months to 1 year   | <b>293,707</b>                                      | 214,856                                     |
| 1 year to 18 months  | <b>129,716</b>                                      | 49,285                                      |
| 18 months to 2 years | <b>14,639</b>                                       | 13,296                                      |
| Over 2 years         | <b>5,430</b>  | —   |
|                      | <b><u>1,273,283</u></b>                             | <b><u>882,644</u></b>                       |

#### 11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

|                                | <b>30 June<br/>2021<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2020<br>RMB'000<br>(Audited) |
|--------------------------------|---|---|
| Non-current portion            |   |   |
| Prepayments*                   | <b><u>451,230</u></b>                               | <u>330,766</u>                              |
| Current portion                |   |   |
| Prepayments*                   | <b>415,925</b>                                      | 375,258                                     |
| Deposits and other receivables | <b>200,217</b>                                      | 112,422                                     |
| Contract costs**               | <b><u>34,583</u></b>                                | <u>32,126</u>                               |
|                                | <b><u>650,725</u></b>                               | <u>519,806</u>                              |
|                                | <b><u>1,101,955</u></b>                             | <b><u>850,572</u></b>                       |

\* Prepayments as at 30 June 2021 included RMB29,418,000 paid for the share purchase of Shenzhen EZfun Interactive Technology Co., Ltd..

Prepayments as at 31 December 2020 included RMB110,000,000 paid for the conditional share purchase of Angel Fund (Asia) Investments Limited.

\*\* Contract costs relate to commissions charged by the platforms which meet the contract acquisition cost criteria. They are capitalised as contract acquisition costs and amortised over the Player Relation Period, which is consistent with the pattern of recognition of the associated revenue. The Group had no impairment losses recognised on contract costs.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 30 June 2021 and 31 December 2020, the loss allowance was assessed to be minimal.

## 12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the reporting period, based on the billing date, is as follows:

|                    | <b>30 June<br/>2021<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2020<br>RMB'000<br>(Audited) |
|--------------------|---|---|
| Within 3 months    | <b>221,150</b>                                      | 105,156                                     |
| 3 to 6 months      | <b>46,748</b>                                       | 51,958                                      |
| 6 months to 1 year | <b>39,012</b>                                       | 53,843                                      |
| 1 year to 2 years  | <b>38,674</b>                                       | 54,360                                      |
| 2 years to 3 years | <b>1,617</b>  | 562   |
| over 3 years       | <b>2,852</b>  | 2,841                                       |
| Total              | <b>350,053</b>                                      | 268,720                                     |

The trade payables are non-interest-bearing and are normally settled on 180-day terms.

## SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS OR DISPOSAL

Save as disclosed below, during the six months ended 30 June 2021, and up to the date of this announcement, the Group did not make any significant investment, or perform any material acquisition or disposal of subsidiaries, associates and joint ventures.

On 5 August 2021, the Group conditionally agreed to acquire from Softstar Entertainment Inc. (大宇資訊股份有限公司) its indirect 49% equity interest in Beijing Softstar and all IP rights relating to *Legend of Sword and Fairy* (仙劍奇俠傳) registered, licensed or used in China at a total consideration of HK\$641.8 million. For further details, please refer to the Company's announcements dated 5 August 2021 and 18 August 2021.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to focus on its existing business and will apply the net proceeds from the Top-up Placing and the Subscription as set out in the relevant announcements dated 4 December 2020 and 29 April 2021, respectively. No concrete plan for material investments or capital assets is in place for the Group as at the date of this announcement.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save for the subscription of new shares by Bilibili Inc. and other subscribers as set forth in the Company's announcements dated 29 April 2021 and 10 May 2021, the Group did not purchase, sell or redeem any of the Company's listed securities during the six months ended 30 June 2021.

## IMPORTANT EVENTS AFFECTING THE GROUP SINCE 30 JUNE 2021

A new strain of coronavirus, COVID-19, was identified in 2020. The Group has been closely monitoring the impact of the COVID-19 pandemic. Meanwhile, no employee of the Group has been diagnosed with COVID-19, and the COVID-19 outbreak has not currently had any significant impact on the Group's operations. The Group will continue to review its contingency measures as the COVID-19 outbreak situation evolves.

Save as disclosed above, no other important events affecting the Group have taken place since 30 June 2021 and up to the date of this announcement.

## USE OF PROCEEDS FROM LISTING

The net proceeds from the Listing were approximately HK\$1,347.1 million after deducting underwriting fees and expenses in connection with the Listing. The Company applied the net proceeds as set out in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 19 October 2019, and there was no material change or delay in the use of proceeds.

The table below sets forth (i) the amount of net proceeds utilised by the Company from 31 October 2019 (the "Listing Date") to 31 December 2019, during the year ended 31 December 2020, and during the six months ended 30 June 2021; (ii) the amount of unutilised net proceeds of the Company as at 30 June 2021; and (iii) the expected timeline of the Company for the full utilisation of the remaining unutilised net proceeds:

| No. | Purposes  | Amount of the net proceeds<br>HK\$ in millions | Amount   | Amount  | Amount  | Amount of  | Expected  |
|-----|---|--|--|---|---|--|---|
|     |   |  | utilised between the Listing Date and 31 December 2019<br>HK\$ in millions | utilised during the year ended 31 December 2020<br>HK\$ in millions | utilised during the six months ended 30 June 2021<br>HK\$ in millions | unutilised net proceeds as at 30 June 2021<br>HK\$ in millions | timeline for the full utilisation of the remaining proceeds |
| 1.  | Expanding and enhancing the Company's IP-based game publishing and development business   | 673.55<br>(50% of the total net proceeds)      | 209.65   | 269.54  | 194.36  | —  | N/A   |
| 2.  | Conducting merger and acquisition activities of participants in the mobile game ecosystem | 538.84<br>(40% of the total net proceeds)      | 200.64   | 338.20  | —   | —  | N/A   |
| 3.  | Working capital and general corporate purposes  | 134.71<br>(10% of the total net proceeds)      | 15.35  | 112.70  | 6.66  | —  | N/A   |
|     | <b>Total</b>  | <b>1,347.10</b>                                | <b>425.64</b>  | <b>720.44</b>   | <b>201.02</b>   | <b>—</b>   |   |

## USE OF PROCEEDS FROM THE TOP-UP PLACING

The net proceeds from a Top-up Placing was approximately HK\$536.78 million after deducting related fees and expenses in connection with the Top-up Placing. The Company will apply the net proceeds as set out in the Company's announcements dated 24 November 2020 and 4 December 2020.

The table below sets forth (i) the amount of net proceeds utilised by the Company from the completion of the Top-up Placing to 31 December 2020, and during the six months ended 30 June 2021; (ii) the amount of unutilised net proceeds of the Company as at 30 June 2021; and (iii) the expected timeline of the Company for the full utilisation of the remaining unutilised net proceeds:

| No. | Purposes  | Amount of the net proceeds<br>HK\$ in millions | Amount utilised   | Amount utilised  | Amount of  | Expected timeline for the full utilisation of the remaining proceeds |
|-----|---|--|---|--|--|--|
|     |   |  | between the completion of the Top-up Placing and 31 December 2020<br>HK\$ in millions | during the six months ended 30 June 2021<br>HK\$ in millions | unutilised net proceeds as at 30 June 2021<br>HK\$ in millions |  |
| 1.  | Further enhance IP-based game publishing and development business through acquisitions and/or investments | 536.78   | —   | 76.06  | 460.72   | Before 31 December 2021  |

## USE OF PROCEEDS FROM THE SUBSCRIPTION OF NEW SHARES BY BILIBILI INC. AND OTHER SUBSCRIBERS

The net proceeds from the Subscription was approximately HK\$849.15 million after deducting related fees and expenses in connection with the Subscription. The Company will apply the net proceeds as set out in the Company's announcements dated 29 April 2021 and 10 May 2021.

The table below sets forth (i) the amount of net proceeds utilised by the Company from the completion of the Subscription to 30 June 2021; (ii) the amount of unutilised net proceeds of the Company as at 30 June 2021; and (iii) the expected timeline of the Company for the full utilisation of the remaining unutilised proceeds:

| No. | Purposes  | Amount of the net proceeds<br>HK\$ in millions | Amount utilised   | Amount of  | Expected timeline for the full utilisation of the remaining proceeds |
|-----|---|--|---|--|--|
|     |   |  | between the completion of the Subscription and 30 June 2021<br>HK\$ in millions | unutilised net proceeds as at 30 June 2021<br>HK\$ in millions |  |
| 1.  | Further enhance IP-based game publishing and development business through acquisitions and/or investments | 849.15   | —   | 849.15   | Before 31 December 2022  |

Given the impact of the global COVID-19 pandemic on the economy, the Company will continue to evaluate the situation and adopt a prudent and flexible approach when utilising its net proceeds from the Top-up Placing and the Subscription, for the long-term benefit and development of the Group. The current expected timelines for using the unutilised net proceeds from the Top-up Placing and the Subscription are based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions. Should there be any material change in the intended usage of the net proceeds from the Top-up Placing and the Subscription, the Company will make appropriate announcements in due course.

## **DIVIDENDS**

The Board did not propose payment of any interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

## **CHANGE IN INFORMATION IN RESPECT OF DIRECTORS**

The Board appointed Mr. Zhang Shengyan (“**Mr. Zhang**”) as a non-executive Director with effect from 10 May 2021. Biographical details of Mr. Zhang are set out in the announcement of the Company dated 10 May 2021. In compliance with the provisions in the articles of association of the Company, Mr. Zhang retired from office at the annual general meeting on 25 May 2021 (the “**AGM**”) and was re-elected in the AGM as a non-executive Director.

Mr. Sin Hendrick, an executive Director and the vice chairman of the Company, received the Medal of Honour awarded from the Government of Hong Kong on 1 July 2021.

Mr. Tang Liang, an independent non-executive Director, was appointed as an external Director and a Supervisor of Actoz Sott Co., Ltd, a company listed on the Korea Exchange (stock code: 052790.KQ) in March 2021, with the term till March 2024.

Save as disclosed above, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) during the six months ended 30 June 2021 and up to the date of this announcement.

## **CORPORATE GOVERNANCE PRACTICES**

During the six months ended 30 June 2021, the Company had complied with the applicable code provisions of the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the “**CG Code**”) except for a deviation from code provision A.2.1 of the CG Code. Pursuant to code provision A.2.1 of the CG Code, the responsibilities of the chairman and the chief executive officer of a listed company should be segregated and should not be performed by the same individual. However, the Group does not have a separate chairman and chief executive officer and Mr. Xiao Jian currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board currently comprises three executive Directors (namely Mr. Xiao Jian, Mr. Sin Hendrick *M.H.*, and Mr. Fan Yingjie), one non-executive Director and



three independent non-executive Directors, and therefore considers that it has a fairly strong independence element in its composition. The Board also considers that the balance of power and authority under the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider separating the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Company as a whole.

### **DIRECTORS' DEALING IN SECURITIES TRANSACTIONS**

All Directors have confirmed, following specific enquiring by the Company, that they have fully complied with the required standard set out in the CG Code as well as the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules throughout the period from 1 January 2021 to 30 June 2021.

### **AUDIT COMMITTEE**

The Audit Committee has reviewed the Company's unaudited consolidated financial statements and this interim results announcement for the Reporting Period, including the accounting principles and practices adopted by the Group, and discussed with management regarding auditing, risk management and internal control, and financial reporting matters.

### **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cmge.com>). The interim report will be despatched to the Shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

By order of the Board  
**CMGE Technology Group Limited**  
**Xiao Jian**  
*Chairman*

Hong Kong, 23 August 2021

*As at the date of this announcement, the Board comprises Mr. Xiao Jian, Mr. Sin Hendrick M.H., and Mr. Fan Yingjie as executive Directors; Mr. Zhang Shengyan as non-executive Director; and Ms. Ng Yi Kum, Mr. Tang Liang and Mr. Ho Orlando Yaukai as independent non-executive Directors.*