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Jiu Zun Digital Interactive Entertainment Group Holdings Limited

九尊數字互娛集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1961)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Jiu Zun Digital Interactive Entertainment Group Holdings Limited (the “**Company** ” or “**Jiu Zun Digital** ”) announces the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**” or “**we**” or “**us**” or “**our**”) for the year ended 31 December 2021. The annual results have been reviewed by the Company’s Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Year ended 31 December		Change %
	2021 (RMB'000)	2020 (RMB'000)	
Revenue	114,914	170,179	-32.5
Gross profit	14,391	55,638	-74.1
Profit/(loss) for the year	<u>(86,822)</u>	<u>1,023</u>	-8,587.0

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: Nil).

REVIEW OF OPERATION

Jiu Zun Digital is a digital entertainment content provider in People's Republic of China (the "PRC") with a diversified content portfolio comprising (i) mobile games mainly played on android operating system; (ii) e-magazines; and (iii) other digital media content such as comics and music. We commenced our digital media content distribution business in 2011, and expanded our product offerings to mobile games in 2014 when we first began to develop and/or operate a wide range of casual mobile games. Apart from casual mobile games which we focused primarily before 2017, we also commenced development and operation of boutique mobile games since 2017 and launched our first multi-player mobile game in January 2019. Since 2018, we have also cooperated with corporate customers who make use of the in-game airtime provided by us for placing their media content for advertising purpose. For the year ended 31 December 2021, majority of our revenue was derived from the sale of virtual items in our multi-player mobile games.

The Group's revenue decreased by approximately RMB55.3 million or 32.5% from approximately RMB170.2 million for the year ended 31 December 2020 to approximately RMB114.9 million for the year ended 31 December 2021. The decrease of the Group's revenue is mainly due to the decrease in revenue from our mobile game development and operation business by approximately RMB51.2 million and the decrease in revenue from digital media content distribution business of approximately RMB5.4 million. The gross profit also decreased by approximately RMB41.2 million or 74.1% from approximately RMB55.6 million for the year ended 31 December 2020 to approximately RMB14.4 million for the year ended 31 December 2021, which was principally due to the substantial decline of approximately RMB20.7 million in revenue attributable to the single-player mobile games in the year ended 31 December 2021 ("FY2021") as compared to the same period of the year ended 31 December 2020 ("FY2020"), and the substantial decline in revenue contribution attributable to two popular multi-player mobile games for FY2021 as compared to FY2020 of approximately 75% to 85% and more than 90%, respectively. Given that both games were launched in the first half of the year ended 31 December 2019 and were approaching to the latter part of their game life cycle, their revenue generation ability significantly decreased for FY2021 as compared to FY2020 (for more information about game life cycle, please refer to page 45 of the prospectus of the Company dated 27 February 2020). Although the Group has launched a number of new multi-player mobile games so that the total number of multi-player mobile games attributable to revenue contribution increased from 15 for FY2020 to 20 for FY2021, the revenue generation ability of those newly launched multi-player mobile games for FY2021 could not be able to mitigate the substantial decline in revenue contribution attributable to the aforesaid two popular multi-player mobile games.

The loss for the year amounted to approximately RMB86.8 million for FY2021 as compared to the profit for the year of approximately RMB1.0 million for FY2020. The decrease was primarily due to (i) the decrease in the gross profit of approximately RMB41.2 million; (ii) the increase in the research and development expense of approximately RMB23.3 million; (iii) the increase in the selling and distribution expense of approximately RMB19.1 million and (iv) the increase in the impairment of trade receivables of approximately RMB13.9 million, which were partially offset by the decrease in the income tax expense of approximately RMB4.4 million and the listing expenses of approximately RMB13.0 million.

OUTLOOK

The number of game publication approval was on the decline from 29 March 2018 when the State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China issued a *Notification on Important Matters concerning Application and Approval of Games* to suspend the issuance of game publication approvals to December 2018 when the game publication application and approval was resumed. According to an independent third-party statistical report, the number of game publication approval issued by National Press and Publication Administration was 2,064, 1,507 and 1,405 in 2018, 2019 and 2020, respectively, but in the first half of 2021, only 668 publication approvals were issued. It can be seen that, the stricter approval of games publication and lack of games by various games companies have led to the accelerated upgrade of the whole game industry, the change from extensive production development to refined development, and improvement in the game quality to a certain extent, which will be a new development opportunity to the game production company continuously focusing on the game quality and user experience.

Looking into the future, at the beginning of 2022, the domestic pandemic began to spread in several places. The internal and external situations will remain complicated and tough. Adopting the long-term perspective, the Group will actively seek opportunities for business upgrades and expansions while continuing to increase our investment in research and development, distribution and operation talents of games, building a diversified and innovative product portfolio and strengthening our competitiveness in an environment where the global digitization continues to deepen and the next generation information technology continues to upgrade. By integrating internal and external resources to explore and innovate, the Group will continue to introduce new dynamics into the Group's long-term development.

PROSPECTS

In 2022, the Company will continue to switch its focus from single-player mobile games development and operation business to multi-player mobile games development and operation business due to the unexpected change of player preference from single-player mobile games to multi-player mobile games since the second quarter of 2020, which was consistent with the Group's business strategy disclosed in the 2020 Annual Report.

On 20 January 2022, the purchasers (the “**Purchasers**”) comprise, among others, Infinities Global Technology Limited Partnership completed the acquisition of an aggregate of 392,560,053 shares of the Company, representing approximately 71.90% of the total issued share capital of the Company. For further details, please refer to the joint announcements of the Company dated 7 February 2022 and 8 February 2022. The Purchasers intend to maintain and continue the Group's existing principal activities after completion of the share offer. The Purchasers have no current intention to further expand and/or divest the existing business of the Group.

As an important spiritual consumer product, games are in great demand due to increasingly greater pressure in life. In the long run, they still have great development potentials. With the implementation of this round of industrial regulatory policies, the industry ecology will be further optimized. Once the game publication approval is resumed, the industry will rapidly recover within a short period, and the Company will have new important development opportunities. We remain confident in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Mobile Game

The mobile game consists of development and operation of mobile games and information services where the Group cooperated with corporate customers to integrate media content in some of the mobile games the Group operate.

The following table sets forth certain operating statistics relating to the mobile game of the Group in the periods indicated:

	Year ended 31 December		Change %
	2021	2020	
Game			
Number of paying players ('000)	351.9	1,947.6	-81.9
Average MPUs ('000)	29.3	162.3	-81.9
Average ARPPU (RMB)	344.96	86.36	299.4

- MPUs. The average monthly paying users (“MPUs”) for the game business decreased to approximately 29,000 for the year ended 31 December 2021 from approximately 0.2 million for the year ended 31 December 2020. The decrease was primarily due to the unexpected change of player preference from single-player mobile games to multi-player mobile games from FY2020. The number of paying players from single-player mobile games decreased significantly in FY2021.
- ARPPU. Monthly average revenue per paying user (“ARPPU”) level of game business increased to approximately RMB344.96 for the year ended 31 December 2021 as compared to RMB86.36 for the year ended 31 December 2020. The increase was primarily attributable to the fact that larger proportion of revenue from mobile game is generated from multi-player mobile game for the year ended 31 December 2021, which offered virtual items at a relatively high unit purchase price.

The following table sets forth the Group’s consolidated statement of profit or loss for the year ended 31 December 2021 as compared to the year ended 31 December 2020:

	Year ended 31 December		Change %
	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>	
Revenue	114,914	170,179	-32.5
Cost of sales	(100,523)	(114,541)	-12.2
Gross profit	14,391	55,638	-74.1
Other income and gains, net	4,097	4,497	-8.9
Selling and distribution expenses	(20,370)	(1,258)	1,519.2
Administrative expenses	(22,216)	(18,650)	19.1
Research and development expenses	(37,358)	(14,012)	166.6
Impairment of trade receivables	(14,948)	(1,045)	1,330.4
Other expenses	(10,620)	(19,406)	-45.3
Finance costs	(56)	(150)	-62.7
Share of results of associates	297	(193)	253.9
Profit/(loss) before tax	(86,783)	5,421	-1,700.9
Income tax expense	(39)	(4,398)	-99.1
Profit/(loss) for the year	(86,822)	1,023	-8,587.0

Revenue

Revenue decreased by approximately RMB55.3 million or 32.5% to approximately RMB114.9 million for the year ended 31 December 2021 from approximately RMB170.2 million for the year ended 31 December 2020. The following table sets forth the revenue of the Group by business segment for the years ended 31 December 2020 and 2021:

	Year ended 31 December			
	2021		2020	
	<i>RMB'000</i>	<i>% to total revenue</i>	<i>RMB'000</i>	<i>% to total revenue</i>
<i>Revenue from contracts with customers</i>				
Mobile games				
– Development and operation	101,567	88.4	152,740	89.7
– Information services	1,438	1.2	108	0.1
Digital media content distribution	11,909	10.4	<u>17,331</u>	10.2
Total Revenue from contracts with customers	<u>114,914</u>	100.0	<u>170,179</u>	100.0

- Revenue generated from the Group's mobile games decreased by approximately RMB49.8 million or 32.6% to approximately RMB103.0 million for the year ended 31 December 2021 from approximately RMB152.8 million for the year ended 31 December 2020. Such decrease was primarily due to (i) the substantial decline in revenue contribution attributable to the single-player mobile games for FY2021 as compared to FY2020 of approximately RMB20.7 million; and (ii) the substantial decline in revenue contribution attributable to two popular multi-player mobile games for FY2021 as compared to FY2020 of approximately 75% to 85% and more than 90%, respectively. Given that both games were launched in the first half of the year ended 31 December 2019 and were approaching to the latter part of their game life cycle, their revenue generation ability significantly decreased for FY2021 as compared to FY2020 (for more information about game life cycle, please refer to page 45 of the prospectus of the Company dated 27 February 2020). Although the Group has launched a number of new multi-player mobile games so that the total number of multi-player mobile games attributable to revenue contribution increased from 15 for FY2020 to 20 for FY2021, the revenue generation ability of those newly launched multi-player mobile games for FY2021 could not be able to mitigate the substantial decline in revenue contribution attributable to the aforesaid two popular multi-player mobile games.

- Revenue generated from the Group’s digital media content distribution decreased by approximately RMB5.4 million or 31.3% to approximately RMB11.9 million for the year ended 31 December 2021 from approximately RMB17.3 million for the year ended 31 December 2020. Such decrease was primarily due to the further decrease in subscribers resulting from the temporary halt of services of the Group’s major distribution platform for the upgrade of the user interface during the year ended 31 December 2021.

Cost of sales

Cost of sales decreased by approximately RMB14.0 million or 12.2% to approximately RMB100.5 million for the year ended 31 December 2021 from approximately RMB114.5 million for the year ended 31 December 2020. The decrease was mainly due to the decrease in service fee charged by the Group’s distribution channel providers as a result of the decrease in revenue. For the year ended 31 December 2021, the percentage of cost of sales to total revenue increased to approximately 87.5% (for the year ended 31 December 2020: approximately 67.3%), which is mainly due to lower gross profit margin of multi-player mobile games than the single-player mobile games.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB19.1 million or 1,519.2% to approximately RMB20.4 million for the year ended 31 December 2021 from approximately RMB1.3 million for the year ended 31 December 2020. The increase was mainly due to the general increasing level of competition intensity in China’s gaming industry in the top-set places in the distribution platforms being mostly occupied by the games operated by major game operators.

Administrative expenses

Administrative expenses increased by approximately RMB3.6 million or 19.1% to approximately RMB22.2 million for the year ended 31 December 2021 from approximately RMB18.7 million for the year ended 31 December 2020. The increase was mainly attributable to the increase in professional fee during FY2021.

Research and development expenses

Research and development expenses increased by approximately RMB23.3 million or 166.6% to approximately RMB37.4 million for the year ended 31 December 2021 from approximately RMB14.0 million for the year ended 31 December 2020. The increase in research and development expenses was principally due to the Group’s development of new multi-player mobile games in order to cater for the gradual change of player preference from the single-player mobile games to multi-player mobile games, which is in line with business strategy of the Group as disclosed in the annual report of the Company for FY2020.

Other income and gains, net

Other income and gains, net decreased to approximately RMB4.1 million for the year ended 31 December 2021 from approximately RMB4.5 million for the year ended 31 December 2020, which was mainly attributable to the decrease in gain on write-back of an other payable and fair value gain on financial asset at fair value through profit or loss, net, which is partially offset by the increase in government grants.

Impairment of trade receivables

Impairment of trade receivables was approximately RMB14.9 million for the year ended 31 December 2021, as compared to the impairment of trade receivables of approximately RMB1.0 million for the year ended 31 December 2020, which was due to the decrease in recovery rate of trade receivables during the year ended 31 December 2021.

Other expenses

Other expenses for the year ended 31 December 2021 was approximately RMB10.6 million, as compared to other expenses of approximately RMB19.4 million for the year ended 31 December 2020. The decrease was mainly due to the listing expenses of approximately RMB13.0 million incurred for the the year ended 31 December 2020.

Finance costs

Finance costs for the year ended 31 December 2021 was approximately RMB56,000 (for the year ended 31 December 2020: approximately RMB0.2 million). The decrease was mainly due to the conversion of pre-IPO convertible bonds during the year ended 31 December 2020.

Income tax expense

The Group recognised income tax expense of approximately RMB39,000 for the year ended 31 December 2021 while the income tax expense was approximately RMB4.4 million for the year ended 31 December 2020. Such decrease was mainly attributable to the decrease in taxable income during the same period.

Profit/(loss) for the year

Based on the foregoing, the loss for the year was approximately RMB86.8 million for the year ended 31 December 2021, as compared to the profit for the year of approximately RMB1.0 million for the year ended 31 December 2020.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	<u>12,128</u>	<u>47,156</u>

The Group's total cash and cash equivalent amounted to approximately RMB12.1 million as at 31 December 2021, as compared to approximately RMB47.2 million as at 31 December 2020. The decrease is mainly due to the increase in selling and distribution expenses and administration expenses during the year ended 31 December 2021.

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of fundings, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in Renminbi (“**RMB**”), followed by Hong Kong dollars (“**HKD**”).

The Group did not have any bank borrowing balance as at 31 December 2021 and 2020. As at 31 December 2021, the Group's gearing ratio (calculated as bank borrowing divided by total assets) was nil (2020: nil). The borrowing requirements of the Group are not subject to seasonality.

MATERIAL ACQUISITION AND DISPOSAL

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year, nor was there any plan authorized by the Board for material investments or additions of capital assets during FY2021.

CONTINGENT LIABILITIES

Reference is made to the litigation announcement of the Company dated 18 January 2022 in relation to disputes of infringement of copyrights and unfair competition that the plaintiff initiated legal proceedings to claim for economic loss, together with other expenses, against defendants, which include two indirectly non-wholly owned subsidiaries of the Company. Since the claim is still at an early stage, the eventual impact on the Group could not be determined. Other than as disclosed above, the Group did not have any significant unrecorded contingent liabilities.

HUMAN RESOURCES

As at 31 December 2021, the Group had a total of 32 employees, the majority of whom are based in Guangzhou. Total staff costs were approximately RMB9.9 million for the year ended 31 December 2021. The Group provides employees with competitive remuneration and various benefits including housing, pension, medical and unemployment benefit plan, and the Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group provide customized and continuous on-the-job training to our new employees by experienced mentors from relevant teams or departments.

EVENT AFTER THE REPORTING PERIOD

Reference was made to the joint announcements of the Company (the “**Joint Announcements**”) dated 7 February 2022 and 8 February 2022 in relation to, among others, unconditional mandatory cash offer by Infinities Global Technology Limited Partnership (the “**Offeror**”) to acquire all the issued shares of the Company (other than those already owned by or to be acquired by the Offeror and the Offeror's Concert Parties). Unless the context requires, capitalised terms used in this paragraph headed “Event after the Reporting Period” shall have the same meanings as those defined in the Joint Announcements.

On 20 January 2022, the Purchasers (as purchasers), the Vendors (as vendors) and the Warrantors (as warrantors) entered into the Sale and Purchase Agreement in relation to the sale and purchase of an aggregate of 392,560,053 Sale Shares (representing approximately 71.90% of the entire issued share capital of the Company as at the date of the Joint Announcement) for a total consideration of HK\$215,908,029.15 (equivalent to HK\$0.55 per Sale Share). Completion took place on 20 January 2022. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares (other than those already owned or to be acquired by the Offeror and the Offeror's Concert Parties). It is expected that the Composite Document will be despatched on or about 31 March 2022.

Save as disclosed above, the Group did not have any significant events after 31 December 2021 and up to the date of this announcement.

PRINCIPAL RISKS AND UNCERTAINTIES

Although the Group has successfully established its mobile games, there are certain risks that could adversely affect the Group's operations and financial results due to the immaturity of the mobile game industry in PRC. The major hurdles include (i) new policies or any amendment to current policies in relation to mobile game industry, (ii) reliance on distribution channel providers, (iii) the game portfolio included games that are self-developed or licensed games, so the Group's operations may be adversely affected if the Group cannot seek alternatives in a timely manner; (iv) the Group may be exposed to payment delays or defaults from settlement agents, which would adversely affect the Group's cash flow or financial results.

Meanwhile, for the Group's established digital media content, the major hurdles include external interruptions such as system disruption, hacking or service suspension on any of the distribution platforms or the publishing platform.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 December	
		2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	4	114,914	170,179
Cost of sales		<u>(100,523)</u>	<u>(114,541)</u>
Gross profit		14,391	55,638
Other income and gains, net	4	4,097	4,497
Selling and distribution expenses		(20,370)	(1,258)
Administrative expenses		(22,216)	(18,650)
Research and development expenses		(37,358)	(14,012)
Impairment of trade receivables		(14,948)	(1,045)
Other expenses		(10,620)	(19,406)
Finance costs		(56)	(150)
Share of results of associates		<u>297</u>	<u>(193)</u>
Profit/(loss) before tax	5	(86,783)	5,421
Income tax expense	6	<u>(39)</u>	<u>(4,398)</u>
Profit/(loss) for the year		<u>(86,822)</u>	<u>1,023</u>
Attributable to:			
Owners of the parent		(85,056)	(1,321)
Non-controlling interests		<u>(1,766)</u>	<u>2,344</u>
		<u>(86,822)</u>	<u>1,023</u>
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted	8	<u>RMB(15.6) cents</u>	<u>RMB(0.3) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit/(loss) for the year	(86,822)	1,023
Other comprehensive income/(loss)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(2,076)	(7,142)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<u>1,149</u>	<u>–</u>
Other comprehensive loss for the year	<u>(927)</u>	<u>(7,142)</u>
Total comprehensive loss for the year	<u>(87,749)</u>	<u>(6,119)</u>
Attributable to:		
Owners of the parent	(85,983)	(8,463)
Non-controlling interests	<u>(1,766)</u>	<u>2,344</u>
	<u>(87,749)</u>	<u>(6,119)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		731	469
Right-of-use assets		1,096	–
Interests in associates		29,414	22,207
Equity investments designated at fair value through other comprehensive income		4,749	3,600
Prepayments and deposit		21,123	47,886
		<u>57,113</u>	<u>74,162</u>
Total non-current assets			
Current assets			
Trade receivables	9	41,596	57,948
Prepayments, deposits and other receivables		49,948	62,231
Financial asset at fair value through profit or loss		13,137	13,672
Cash and cash equivalents		12,128	47,156
		<u>116,809</u>	<u>181,007</u>
Total current assets			
Current liabilities			
Trade payables	10	10,414	5,013
Contract liabilities		7,723	4,954
Other payables and accruals		13,201	13,952
Lease liabilities		523	–
Tax payable		707	2,824
		<u>32,568</u>	<u>26,743</u>
Total current liabilities			
Net current assets			
		<u>84,241</u>	<u>154,264</u>
Total assets less current liabilities			
		<u>141,354</u>	<u>228,426</u>
Non-current liabilities			
Lease liabilities		677	–
Deferred tax liabilities		2,164	2,164
		<u>2,841</u>	<u>2,164</u>
Total non-current liabilities			
Net assets			
		<u>138,513</u>	<u>226,262</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	4,946	4,946
Reserves	<u>124,266</u>	<u>210,249</u>
	129,212	215,195
Non-controlling interests	<u>9,301</u>	<u>11,067</u>
Total equity	<u><u>138,513</u></u>	<u><u>226,262</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE AND GROUP INFORMATION

Jiu Zun Digital Interactive Entertainment Group Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room B102, 1st Floor, Dongcheng Building, 58 Jianzhong Road, Tianhe District, Guangzhou, PRC. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 March 2020.

The Company is an investment holding company. During the year, the Company’s subsidiaries were principally engaged in the development and operation of mobile games and the distribution of digital media content in Mainland China.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and financial asset at fair value through profit or loss. They are presented in RMB and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

Basis for consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted following revised HKFRSs for the first time for the current year's financial statements.

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

The nature and the 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 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 amendments did not have significant impact on the financial position and performance of the Group.
- (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 amendments did not have significant impact on the financial position and performance of the Group.

3 OPERATING SEGMENT INFORMATION

The Group is principally engaged in mobile game development and operation and digital media content distribution in Mainland China. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) *Revenue from external customers*

All significant external customers of the Group are located in Mainland China. Accordingly, no geographical information of revenue from external customers is presented.

(b) *Non-current assets*

All significant non-current assets of the Group are located in Mainland China. Accordingly, no geographical information of non-current assets is presented.

Information about major customers

No revenues from the Group's transactions with a single customer amounted to 10% or more of the Group's revenues for the years ended 31 December 2021 and 2020.

4 REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Mobile games		
– Development and operation	101,567	152,740
– Information services	1,438	108
Digital media content distribution	<u>11,909</u>	<u>17,331</u>
Total revenue from contracts with customers	<u><u>114,914</u></u>	<u><u>170,179</u></u>
Timing of revenue recognition		
Point in time (<i>note (a)</i>)	13,377	38,213
Over time (<i>note (b)</i>)	<u>101,537</u>	<u>131,966</u>
Total revenue from contracts with customers	<u><u>114,914</u></u>	<u><u>170,179</u></u>

Notes:

- (a) Including revenue from single-player mobile games. Since they are downloaded and are fully functional once installed on each individual mobile device, the Group does not have the obligation for game operation and maintenance once the game is downloaded and neither has the access to the game data of each mobile device. Revenue is recognized upon the purchase of in-game items and premium features by players and all other criteria for revenue recognition are met.
- (b) Including revenue from multi-player games. Since the Group has an implied obligation to provide the service which enables the virtual items to be consumed. Revenue is recognized ratably over the estimated average playing period of paying players, starting from the time when virtual items are delivered to the player's accounts and all other revenues recognition criteria are met.

An analysis of other income and gains, net is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other income		
Interest income	792	905
Government grants*	2,444	1,262
Others	596	628
	<u>3,832</u>	<u>2,795</u>
Gains, net		
Gain on write-back of other payables	265	1,155
Gain on termination of a lease	–	52
Fair value gain on financial asset at fair value through profit or loss, net	–	495
	<u>265</u>	<u>1,702</u>
	<u><u>4,097</u></u>	<u><u>4,497</u></u>

- * Various government grants of RMB2.4 million have been received by certain subsidiaries as these subsidiaries were qualified as High and New Technology Enterprises in the PRC. The remaining mainly represented COVID-19 related subsidies received from local government for employment support and business operations support in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

5 PROFIT/(LOSS) BEFORE TAX

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

	2021	2020
	RMB'000	RMB'000
Cost of sales	100,523	114,541
Auditor's remuneration	1,536	1,494
Depreciation of property, plant and equipment	194	366
Depreciation of right-of-use assets	422	384
Employee benefit expense (including directors' remuneration):		
Wages, salaries, bonuses and allowances	8,883	11,154
Pension scheme contributions	1,022	443
	<u>9,905</u>	<u>11,597</u>
Impairment of trade receivables	14,948	1,045
Impairment of deposits [#]	3,365	–
Loss on disposal of items of property, plant and equipment [#]	23	4
Write-off of items of property, plant and equipment [#]	31	355
Fair value (gain)/loss on financial asset at fair value through profit or loss, net [#]	111	(495)
Write-off of other receivable [#]	296	–
Impairment of interest in associates [#]	700	–
Gains on write-back of other payables [#]	(265)	(1,155)
	<u><u>9,905</u></u>	<u><u>11,597</u></u>

[#] These gains are included in "Other income and gains, net" and the losses are included in "Other expenses", as appropriate, in the consolidated statement of profit or loss.

6 INCOME TAX EXPENSE

All subsidiaries of the Group established in the PRC are subject to PRC corporate income tax at a standard rate of 25% during the year, except for:

- (i) Certain subsidiaries of the Group which qualified as High and New Technology Enterprises in Mainland China, were entitled to a lower PRC corporate income tax rate of 15%; and
- (ii) Certain subsidiaries of the Group applied the Small-Scaled Minimal Profit Enterprise Income Tax Preferential Policy announced by the PRC's State Administration of Taxation.
- (iii) A subsidiary of the Group was qualified as a software enterprise by Guangdong Software Industry Association and was entitled to tax exemption for two years and thereafter to a preferential rate at half of the corporate income tax rate for three years.

	Year Ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current — Mainland China		
Charge for the year	39	3,623
Deferred	—	775
	<hr/>	<hr/>
Total tax charge for the year	<u>39</u>	<u>4,398</u>

7 DIVIDENDS

The board of directors do not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

During the year ended 31 December 2020, a subsidiary of the Group declared dividend of approximately RMB13,613,000 to its then shareholders for settlement of amounts due from the then shareholders to the Group before listing.

8 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share for the year is based on the loss for the year attributable to owners of the parent of RMB85,056,000 (2020: RMB1,321,000), and the weighted average number of ordinary shares of 546,000,000 (2020: 514,138,142) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

9 TRADE RECEIVABLES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	60,351	61,755
Impairment	<u>(18,755)</u>	<u>(3,807)</u>
	<u>41,596</u>	<u>57,948</u>

The Group's trading terms with its debtors are on credit. The credit periods range from 30 to 90 days during the year. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	2,551	1,929
31 to 60 days	2,392	1,607
61 to 90 days	1,992	1,450
91 to 180 days	1,588	4,242
181 to 365 days	2,772	14,710
Over 365 days	<u>30,301</u>	<u>34,010</u>
	<u>41,596</u>	<u>57,948</u>

10 TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	1,161	359
1 to 2 months	1,086	533
2 to 3 months	2,463	507
Over 3 months	<u>5,704</u>	<u>3,614</u>
	<u>10,414</u>	<u>5,013</u>

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 90 days.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During FY2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

USE OF PROCEEDS FROM THE LISTING

The net proceeds raised by the Company from the the listing of the Shares on the Main Board of the Stock Exchange (“**the Listing**”) are approximately RMB79.2 million (after deduction of the underwriting commissions in respect of the offering and other estimated expenses). For the year ended 31 December 2021, the net proceeds from the Listing were utilized in accordance with the intended purposes stated in the Prospectus published by the Company, with the balance amounted to nil.

Since the date which dealings in Shares first commence on the Stock Exchange, i.e. 17 March 2020 (the “**Listing Date**”) and up to 31 December 2021, the net proceeds from the Listing had been applied as follows:

	Net amount available as at 17 March 2020 <i>RMB million</i>	Actual net amount utilized for the year ended 31 December 2021 <i>RMB million</i>	Unutilized net amount as at 31 December 2021 <i>RMB million</i>	Expected timeline for utilising the remaining net proceeds <i>(Note)</i>
Expand market share in single-player mobile games	19.2	19.2	–	N/A
Expedite multi-player mobile game market	12.2	12.2	–	N/A
Obtain licensing rights of popular entertainment properties	16.1	16.1	–	N/A
Enrich our digital media content	1.0	1.0	–	N/A
Strategic acquisitions and partnerships with mobile game developers	24.1	24.1	–	N/A
Working capital and general corporate use	6.6	6.6	–	N/A
Total	<u>79.2</u>	<u>79.2</u>	<u>–</u>	

Note: The expected timeline for utilising the remaining net proceeds is based on the best estimation of future market conditions made by the Group and is consistent with that as described in the Prospectus. It might be subject to changes based on the current and future development of the market conditions.

Audit and Compliance Committee

The audit and compliance committee of the Company has reviewed together with the Board the accounting standards and practices adopted by the Group and the consolidated financial statements of the Company for the year ended 31 December 2021.

Scope of Work of Ernst & Young

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young ("EY"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by EY on the preliminary announcement.

Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on the code provisions as set out in the Corporate Governance Code and Corporate Governance Report as set in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange (the "**CG Code**").

Save as disclosed below, the Directors consider that the Company has complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2021.

With the resignation of Ms. Song Yi on 1 December 2021, the number of independent non-executive Directors and the audit committee of the Company (the “**Audit Committee**”) had fallen below the minimum of three members as required under Rules 3.10(1) and 3.21 of the Listing Rules and the Company had not yet appointed an additional independent non-executive Director within three months from 1 December 2021 under Rules 3.11 and 3.23 of the Listing Rules. Since the Company could not appoint an additional independent non-executive Director by 1 March 2022, the Company has applied to the Stock Exchange for a waiver from strict compliance with Rules 3.10(1), 3.11, 3.21 and 3.23 of the Listing Rules and an extension of time for the Company to re-comply with such requirements. Such waiver application is currently under process as at the date of this announcement. The Company will use its best endeavour to appoint a suitable candidate to fill the vacancy on the Board and in the Audit Committee as soon as possible. Further announcement(s) will be made in accordance with the requirements of the Listing Rules as and when appropriate.

Model Code for Securities Transactions by Directors

The Company has adopted the code of conduct and procedures governing Directors’ securities transactions in stringent compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the code of conduct and procedures governing Directors’ securities transactions during FY2021.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022 (both days inclusive), for the purpose of ascertaining shareholders’ entitlement to attend and vote at the 2022 annual general meeting. In order to be entitled to attend and vote at the 2022 annual general meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 p.m. (Hong Kong Time) on Monday, 23 May 2022.

Publication of the Annual Results and 2021 Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jiuzundigital.com). The annual report of the Company for the year ended 31 December 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

Appreciation

The Board would like to express its sincere gratitude to the Shareholders, management teams, employees, business partners and customers of the Group for their continued support and contribution to the Group.

By order of the Board
Jiu Zun Digital Interactive Entertainment Group Holdings Limited
LU Jian
Chairman and Executive Director

Hong Kong, 24 March 2022

As at the date of this announcement, the executive Directors are Mr. LU Jian and Mr. LIANG Junhua; the non-executive Directors are Ms. SU Shaoping and Mr. TSUI Wing Tak; and the independent non-executive Directors are Mr. ZHAO Junfeng and Mr. ZHUANG Wensheng.