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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 2022

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 2022 (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 ended 30 June	
	2022	2021
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Revenue	1,232,764	2,180,133
(Loss)/profit for the period	(25,408)	378,250
(Loss)/profit for the period attributable to owners of the parent	(21,901)	393,532
Adjusted net (loss)/profit⁽¹⁾	(15,654)	401,780

Note:

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

BUSINESS REVIEW

The Group has formed a core competitive intellectual property (“IP”) game ecosystem of “IP resources – self-development and joint development - global publishing - proprietary IP operation - metaverse platform (IP資源—自主研發與聯合研發—全球發行—自有IP運營—元宇宙平台)” by leveraging its advantages and accumulation in the field of game publishing and research and development and its advantageous IP resources, and has established three major business segments, namely IP game development and global publishing, proprietary IP operation and metaverse platform. During the first half of 2022, the total research and development expenses of the Group amounted to RMB204.3 million, representing a period-on-period increase of 65.1%. There were a total of 11 self-developed products in operation, and 10 self-developed products to be put into operation. The Group has also expanded its overseas game publishing business. As of 30 June 2022, the Group has launched 5 games in several overseas regions, revenue generated from overseas regions of the Group amounted to RMB227.6 million, revenue from overseas regions accounted for 18.5% of the Group’s total revenue.

Given the adverse impact of the deferred launching of a number of the Group’s games as a result of postponement in obtaining licenses, for the six months ended 30 June 2022, the Group’s revenue was RMB1,232.8 million, representing a period-on-period decrease of 43.5%.

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

	For the six months ended 30 June	
	2022	2021
Average MAUs (thousands)	12,780	19,084
Average MPUs (thousands)	941.4	1,442
ARPPU (RMB)	218.3	251.9
Total new registered users (thousands)	38,367	58,014

IP Game Development and Global Publishing

Overseas Markets

The Group launched a number of games in overseas markets during the six months ended 30 June 2022, and has achieved outstanding results. *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 published by the Group, was launched in Thailand and Vietnam in January and June 2022, respectively. *Dynasty Warriors: Hegemony* (真·三國無雙霸), an action role playing game (ARPG) 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, was launched in Hong Kong, Macau, Taiwan, Singapore and Malaysia in January 2022, and ranked first on the Top Free Games List of Apple's App Store and Google Play Store in the Hong Kong, Macau and Taiwan region and Singapore, first on the Best Selling Games List of Apple's App Store in Hong Kong and Macau and second on the Best Selling Games List of Apple's App Store in Taiwan during the month of its launch. It was officially launched in the Southeast Asia region, including Vietnam, Thailand, the Philippines and Indonesia, on 10 August 2022, and ranked first on the Top Free Games List of Apple's App Store in Vietnam and the Philippines and third on the Best Selling Games List of Apple's App Store in Vietnam. *Soul Land: God of Battle Arise* (斗羅大陸:鬥神再臨), a game published by the Group, was launched in Vietnam in March 2022, and ranked first on the Top Free Games List and sixth on the Best Selling Games List of Apple's App Store in Vietnam during the month of its launch. For the six months ended 30 June 2022, the Group's revenue from overseas regions amounted to RMB227.6 million, representing a period-on-period growth of 3.6%. The proportion of revenue generated from overseas regions in the Group's total revenue reached 18.5%.

Self-Development and Self-Publishing

Games of the Group which have been launched before 2022, including the 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) and card and board games, the 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) and *Soul Land: God of Battle Arise* (斗羅大陸:鬥神再臨), and games jointly published with third parties, including *One Piece: The Voyage* (航海王熱血航線), *Dynasty Warriors: Hegemony* (真·三國無雙霸), and other games that have been launched, continued to contribute to the Group's revenue and profits in the first half of 2022. The Group launched a new game called *A New Record of a Mortal's Journey to Immortality* (新凡人修仙傳) in January 2022, and received Mobile Hardcore Alliance's Star Recommendation of the Month in the month of its launch. The Group has planned to launch a number of new games in the first half of 2022. However, due to the postponement in obtaining licences as scheduled, the launch of several games, such as *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), *Cultivation Fantasy* (我的御劍日記), *Rakshasa Street: Chosen One* (鎮魂街:天生為王), as well as self-developed games, including *World of Castellan* (城主天下), were deferred.

The Group continued to increase the investment in its research and development business and established a number of research and development teams, including Mantianxing Studio (滿天星工作室) and DaYu Studio (大禹工作室), with the number of research and development personnel reaching 632 during the first half of 2022; research and development investment was RMB204.3 million, representing a period-on-period increase of 65.1%. A number of self-developed mobile games of 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, has entered the stage of pre-launch preparation. Among these games, *Call for Pioneers* (召喚先鋒), an integrated strategy game with global themes, has obtained its licence and is scheduled for launch in December 2022. Testing for a similar type of mobile game, *Code: Soldiers* (代號:奇兵), will commence in the fourth quarter of 2022. Mobile game *World of Castellan* (城主天下) has entered the completion stage of final testing and will be launched officially after obtaining licence. Softstar Technology (Beijing) Co., Ltd. (軟星科技(北京)有限公司, “**Beijing Softstar**”) launched a self-developed game *Legend of Sword and Fairy 7* (仙劍奇俠傳七) in the second half of 2021 as of 30 June 2022, its PC version achieved a sales volume of over 450,000, its cloud gaming version achieved a sales volume of over 210,000, and its console version was launched in Hong Kong, Macau, Taiwan, Southeast Asia, Japan and North America in August 2022. As of 30 June 2022, *Monopoly 10* (大富翁10), a PC game self-developed by Beijing Softstar, recorded a global sales volume of over 1.23 million, and was launched on platforms such as Xbox One, Xbox Series S, Xbox Series X, PlayStation 4 and PlayStation 5 in July 2022. The standalone game *Legend of Sword and Fairy 4: Remake* (仙劍奇俠傳四:重製版) was kick-started by Softstar Technology (Shanghai) Co., Ltd. (軟星科技(上海)有限公司), a wholly-owned subsidiary of the Group, in the first half of 2022, and the project has entered the research and development stage.

Investment in Developers

As part of its IP game ecosystem, the Group is committed to investing in quality developers in the industry in order to supply the Group with competitive gaming products. During the first half of 2022, the Group completed its investment in Shanghai Zhoujing Network Technology Co., Ltd. (上海洲競網絡科技有限公司) (“**Shanghai Zhoujing**”), and has become its controlling shareholder holding 51% of its equity interests. Shanghai Zhoujing is currently developing in full swing the cross-PC, console and mobile-end game *Code: Basketball 3v3* (代號:籃球3v3), which will become an important game product type of the Group with long life cycle. The game will commence its official testing in the fourth quarter of 2022 and is expected to be launched officially in the first half of 2023. In the first half of the year, the Group invested in Hainan Hemera Information Technology Co., Ltd. (海南赫墨拉信息科技有限公司) (“**Hainan Hemera**”). *The Devil Forbiddor* (太古封魔錄), the mobile game developed by Hainan Hemera, recorded an impressive monthly gross billing over RMB200 million upon its launch, and *Ultraman: The Gathering* (奧特曼:集結), a mobile game developed by its core team, has obtained the official licensed IP of the original Ultraman series licensed by Tsuburaya Productions Co., Ltd. (日本圓谷株式會社) in Japan. It will be exclusively published by the Group and will be launched in the second half of 2022.

Proprietary IP Operation

Licensing Business

In the first half of 2022, revenue derived from the Group's IP licensing amounted to approximately RMB30.8 million. The Group established a strong presence for the cooperation of the *Legend of Sword and Fairy* (仙劍) IP throughout the industry chain, covering games, films and television, comics and animation, content literature, music, derivatives and real scene entertainment, and collaborated with top partners in related fields to jointly build the *Legend of Sword and Fairy* (仙劍) IP universe.

Following the successful launch of the game *Legend of Sword and Fairy 4 VR* (仙劍奇俠傳四VR), the Group continued its cooperation with Immersive World (沉浸世界) and launched the VR game *Legend of Sword and Fairy 1 VR* (仙劍奇俠傳一VR) on 15 July 2022 with brand new experience. The classic story of *Legend of Sword and Fairy*, together with the 360-degree close range view and surrounding sound from VR, bring a complete immersive experience for players. The Group will launch the story mobile card game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) in the second half of 2022, while the *Sword and Fairy World* (仙劍世界), a platform-based open world game self-developed by the Group, will commence testing soon. The large scale MMORPG mobile game, *Legend of Sword and Fairy • Yuanqi* (仙劍 • 緣起) developed by the Group and Alibaba's Lingxi Games (靈犀互娛) has also entered the final stage of testing.

The Sword and Fairy Chinese Traditional Festival Figures Series, first launched by the Group with Pop Mart (泡泡瑪特), was released globally in April 2022. Meanwhile, the Group collaborated with Good Smile Arts (良笑塑美), the Infinity Studio (開天工作室) under Shanghai Qiku Network Technology Co., Ltd. (上海起酷網絡科技有限公司), Bandai Namco Entertainment (Shanghai) Co., Ltd. (萬代南夢宮(上海)娛樂有限公司) and other well-known partners to jointly launch Chinese-style products, including Nendoroid Anu (黏土人阿奴), Nendoroid Long Kui (red and blue) (黏土人紅藍龍葵), statues of Xiao Ya Ji Lin Yueru (小雅集林月如), figure of Han Ling Sha (韓菱紗), statues of Yue Qing Shu (月清疏), figure and statues of Li Xiao Yao (李逍遙), statues of Chong Lou (重樓), and figures of female character weapons from *Legend of Sword and Fairy* (仙劍).

In January 2022, the Group has achieved huge success in its first launch of *Legend of Sword and Fairy* (仙劍奇俠傳) digital collections through the platform TheOne. Art (唯一藝術); and issued 40,000 NFT badges of *Legend of Sword and Fairy* (仙劍) characters which were sold out in a split second. In April 2022, the Group joined hands with Alifish (阿里魚), a digital collections e-commerce platform, to launch 80,000 *Legend of Sword and Fairy* (仙劍奇俠傳) skins for payment code of Alipay in digital collection format. It was the Group's first attempt to apply multi-theme application scenarios for its digital collections. In May 2022, the Group launched another batch of digital collections of *Legend of Sword and Fairy* (仙劍奇俠傳), of which 24,240 NFTs of digital supreme weapons from *Legend of Sword and Fairy 7* (仙劍奇俠傳7) were published through digital collection e-commerce platform Tencent Huanhe (騰訊幻核). Nearly 190,000 people participated in the lottery draw for the qualification of advance purchase, and these digital supreme weapons were sold out in a split second.

The shooting of *Legend of Sword and Fairy 1* (仙劍奇俠傳一), which was co-produced by the Group and Penguin Pictures (企鵝影視), has officially been commenced in November 2021; while in cooperation with iQiyi (愛奇藝), the shooting of *Legend of Sword and Fairy 4* (仙劍奇俠傳四) has been commenced in February 2022. The shooting of *Legend of Sword and Fairy 2* (仙劍奇俠傳二) was commenced in the first half of 2022. The Group joined Shandong Film and Television Production Co., Ltd. (山東影視製作股份有限公司), the producer of hit television dramas such as *Nirvana in Fire* (琅琊榜) and *The Disguiser* (偽裝者), in the production of *Legend of Sword and Fairy 6* (仙劍奇俠傳六), for which shooting will be commenced in the second half of 2022. In terms of animation, the Group will cooperate with Bilibili to produce the *Legend of Sword and Fairy 4* (仙劍奇俠傳四) animation and will cooperate with Penguin Pictures (企鵝影視) to shoot the animation series of *Legend of Sword and Fairy 1* (仙劍奇俠傳一) and *Legend of Sword and Fairy 3* (仙劍奇俠傳三). In July 2022, the Group successfully held the 27th Anniversary of *Legend of Sword and Fairy* (仙劍奇俠傳) through Weibo livestreaming, delivering extensive visual and audio experiences to players.

The Group's *Legend of Sword and Fairy* (仙劍) Real Scene Entertainment Project, Hangzhou Xiqi Xianjian Town (杭州西溪仙劍小鎮), has been officially established and is expected to commence trial run in the second half of 2022. Focusing on the future, the Group will create more high-quality content to reach young consumers interested in Chinese-style elements via various channels, and will continuously enhance the reputation of *Legend of Sword and Fairy* (仙劍奇俠傳) among young people and further enrich the users' interactive experience.

Metaverse Platform

***Sword and Fairy World* (仙劍世界): An open world game + entertainment and social networking metaverse platform**

Sword and Fairy World (仙劍世界), a self-developed game by the Group's Mantianxing Studio (滿天星工作室), is China's first metaverse game featuring open world elements such as cross-PC, console, virtual reality device and mobile phone and the Chinese culture. It is also the first entertainment and social networking metaverse platform in China that features Chinese culture, offers in-depth virtual reality experience and allows players to play virtual characters with virtual reality equipment. Leveraging the research and development team's rich experience and knowledge in virtual reality technology and open world RPG technology, and blending users' original creative content and the extensive social networking functions, the game will provide players with a highly differentiated immersive experience. Brand merchants will also play a part in the game platform to provide a new and real spending scenario to players. In the World of *Legend of Sword and Fairy* (仙劍大世界), players can engage in their development and evolvement with different virtual identities, choose the ways of living, playing and socialising in the World of *Legend of Sword and Fairy* (仙劍大世界) based on their own philosophy, and explore the world of game as they wish and dream.

The Legend of Sword and Fairy (仙劍奇俠傳) is the most well-known fairy and hero themed IP in China. *Sword and Fairy World* (仙劍世界), as a metaverse game featuring open world elements, features an extensive open world content and MMO gameplay method. It combines Chinese-style elements and IP attributes of *The Legend of Sword and Fairy* (仙劍奇俠傳) and has achieved a very strong user stickiness. “*Sword and Fairy and the Magic Mirror*” (仙劍靈鏡), the celestial world developed from *Sword and Fairy World* (仙劍世界), is an entertainment and social networking metaverse platform which offers as an excellent gameplay extension to open world game players. “*Sword and Fairy and the Magic Mirror*” (仙劍靈鏡) presents to players a magic mirror depicting a relaxing pastoral environment with mountains and rivers, where players can build their own manor, garden and farmhouse; go fishing or canoeing or farming with friends; design the clothes, pets and leisure games that they like and share a fun time together while realising better creator returns. They can participate in parties and watch performances meticulously prepared by the platform. Chinese-style brand merchants can provide immersive consumption experience to players. Players will also have a chance to experience the fun of being in control of output in the real economy by linking to the manufacturing and agricultural industries.

The game *Sword and Fairy World* (仙劍世界) will commence first round of testing in the second half of 2022 and is scheduled for launch in the first half of 2023.

Award and Recognition

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

Award/Recognition	Date of Award	Awarding Institution/Authority
Most Influential Enterprise of “Golden Diamond Award” 2021 (金鑽榜2021最具影響力企業)	January 2022	Association of Game Industry of Guangdong (廣東省遊戲產業協會)
Social Responsibility of “Golden Diamond Award” 2021 (金鑽榜2021社會責任獎)	January 2022	Association of Game Industry of Guangdong (廣東省遊戲產業協會)
Fastest Growing Overseas Listed Companies (最具成長海外上市公司)	January 2022	National Business Daily (每日經濟新聞)
Guangdong Top 500 Enterprises 2021 (2021廣東企業500強)	January 2022	Enterprise Association of Guangdong (廣東省企業聯合會)
Guangdong Top 100 Innovative Enterprises 2021 (2021廣東創新企業100強)	January 2022	Enterprise Association of Guangdong (廣東省企業聯合會)
TOP 100 Internet Enterprises in 2021 (2021互聯網企業TOP 100)	February 2022	China Internet Weekly published by the Chinese Academy of Sciences (中國科學院《互聯網週刊》)
TOP 50 Metaverse Potential Enterprises of 2021 (2021年度元宇宙潛力企業TOP 50)	March 2022	China Internet Weekly published by the Chinese Academy of Sciences (中國科學院《互聯網週刊》), IT Research Centre under Chinese Academy of Social Sciences (中國社會科學院信息化研究中心), eNet Research Centre (eNet研究院) and Deben Consultation (Beijing) Co., Ltd. (德本諮詢(北京)有限公司)
Shenzhen Top 100 Cultural Enterprise (深圳文化企業100強)	April 2022	Shenzhen Municipal Bureau of Culture, Radio, Television, Tourism and Sports (深圳市文化廣電旅遊體育局)
Mobile Hardcore Alliance Most Popular Card Game of the Year in The 7th Black Stone Awards: Soul Land: God of Battle Arise (第七屆黑石獎硬核年度最受歡迎卡牌遊戲《斗羅大陸:鬥神再臨》)	January 2022	Mobile Hardcore Alliance (硬核聯盟)
Mobile Hardcore Alliance Most Popular Mini-game of the Year in The 7th Black Stone Awards: The National Gunlord – The Frontier (第七屆黑石獎硬核年度最受歡迎小遊戲《全民槍神:邊境王者》)	January 2022	Mobile Hardcore Alliance (硬核聯盟)
Mobile Hardcore Alliance Most Anticipated Game of the Year in The 7th Black Stone Awards: Sword and Fairy: Wen Qing (第七屆黑石獎硬核年度最受期待遊戲《新仙劍奇俠傳之揮劍問情》)	January 2022	Mobile Hardcore Alliance (硬核聯盟)
Best Chinese Game of “Golden Diamond Award” 2021 for The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart (金鑽榜2021最佳國產遊戲《新射鵰群俠傳之鐵血丹心》)	January 2022	Association of Game Industry of Guangdong (廣東省遊戲產業協會)

Social Responsibility

The Group has always fulfilled its social responsibility in different dimensions. Having supported the “CMGE Dream Libraries (中手游築夢圖書館)” project for a long time to promote reading among the youth, the Group has steadily pushed forward the project by donating two libraries every year. The tenth “CMGE Dream Libraries (中手游築夢圖書館)” was set up in Zijin County, Heyuan City, Guangdong Province in June 2022, this was also the first “CMGE Dream Libraries (中手游築夢圖書館)” funded by online donation. On 10 March 2022, in order to support the fight against the pandemic in Hong Kong, the Group allocated RMB1.0 million equivalent for the first batch of funds to purchase anti-pandemic supplies locally, and contacted the social anti-pandemic organisations in Hong Kong for orderly distribution. The first batch of anti-pandemic funds would be mainly used for the vulnerable groups such as the elderly and children in Hong Kong who were lacking anti-pandemic supplies. The Group was also awarded 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).

In terms of protection for minors, the Group strictly follows the relevant national policies, all published games are embedded with a real-name authentication system, an anti-addiction system and age limit reminders. To strictly observe the new regulations of the National Press and Publication Administration on preventing addiction for minors, the Group only provides one hour of online gaming service to minors from 8:00 pm to 9:00 pm on Fridays, Saturdays, Sundays and statutory holidays, striving to ensure the healthy growth of minors.

All games under the Group have rules restricting the spending from minors. Players under the age of 12 are prohibited from making payments in the games under the Group; minors between the ages of 12 and 16 may not exceed RMB50 in a single recharge in the games under the Group, and the cumulative monthly recharge amount shall not exceed RMB200; minors between the ages of 16 and 18 may not exceed RMB100 in a single recharge in the games under the Group, and the cumulative monthly recharge amount shall not exceed RMB400. During the first half of 2022, minor players under the age of 18 accounted for approximately 0.0029% of the Group’s revenue from games in China.

OUTLOOK FOR THE SECOND HALF OF 2022

Major Games to be Published in China

In the second half of 2022, the Group will launch several major games in the Mainland China market.

The King of Fighters: All Stars (全明星激鬥) – a self-developed large-scale IP adaptation mobile game of the Group, is a 3D action card game with realistic graphics and the game content of which covers SNK well-known characters and various top-notch Japanese comic characters. Its game quality has reached excellence after over three years of refining. The game has successfully obtained licence and will be first launched in Mainland China in the second half of 2022 and subsequently launched in various countries and regions around the world.

Ultraman: The Gathering (奧特曼:集結) – developed by Hainan Hemera, a company strategically invested by the Group, and adapted from the official licensed IP of the original Ultraman series licensed by Tsuburaya Productions Co., Ltd. (日本圓谷株式會社) in Japan, the mobile game has obtained its licence after nearly two years of development and will be official launched in the second half of 2022. *Ultraman: The Gathering* (奧特曼:集結) received over 1 million user registrations during testing. It is expected that the game will achieve good results after launching.

Cultivation Fantasy (我的御劍日記) – a card-idling mobile game and the brainchild of the research and development team lead by Cheng Liangqi (程良奇), the famed producer of Love Games (Shanghai) Internet Technology Co., Ltd. (樂府互娛(上海)網絡科技有限公司), a company strategically invested by the Group. The game focuses on long-term player retention and has obtained its licence in August 2022. It is scheduled to be launched in the second half of 2022.

Call for Pioneers (召喚先鋒) – a 3D strategic card mobile game with global themes developed by Wenmai Hudong, a wholly-owned subsidiary of the Group, featuring a refreshing globalised cartoon artistic presentation. The game brings innovation to the core combat on the basis of the well-established card game playing method. *Call for Pioneers* (召喚先鋒) has obtained its licence and will be launched in the second half of 2022.

Monopoly 11 (大富翁11) – a PC game self-developed by the Group's wholly-owned subsidiary, Beijing Softstar, is expected to be launched on the NS and Steam platform.

Sword and Fairy: Wen Qing (新仙劍奇俠傳之揮劍問情) – produced 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), the game has obtained the official licence of the entire series of *Legend of Sword and Fairy* (仙劍奇俠傳) and will be launched in the second half of 2022.

Rakshasa Street: Chosen One (鎮魂街:天生為王) – a 3D ARPG mobile game with a Chinese artistic style, it has obtained the dual official licence of Rakshasa Street comics and animation and is expected to be launched in the second half of 2022.

World of Castellan (城主天下) – an integrated strategy mobile game developed by the Group's wholly-owned subsidiary Wenmai Hudong, it adopts a more innovative group combating gameplay method and in-depth social network features and is expected to be launched in the second half of 2022.

Overseas Market Publishing Schedule

The Group will continue to implement its comprehensive overseas gaming strategy and adhere to its integrated global publishing model. The Group will establish Hong Kong, Macau, Taiwan (including Southeast Asia), Japan, Korea, Europe and the United States as its focused development regions to launch its game development and global publishing.

Dynasty Warriors: Hegemony (真·三國無雙霸) has been launched in Southeast Asia and Vietnam in August 2022 and will subsequently be launched in Korea in the second half of 2022. After launching in Vietnam, *Soul Land: God of Battle Arise* (斗羅大陸：鬥神再臨) will also be launched in Korea in the second half of 2022. In the second half of 2022, the Group also plans to roll out *Ultimate Judge: Bao Qingtian* (神判包青天) mobile game in Thailand, *Cultivation Fantasy* (我的御劍日記) mobile game in Singapore, Malaysia, Hong Kong, Macau and Taiwan and a 3D card-idling mobile game *Don't Say Goodnight to Fairy Tales* (別對童話說晚安) in Hong Kong, Macau and Taiwan.

Intensive Testing and Launching for Self-developed Game Projects

The King of Fighters: All Stars (全明星激鬥), the mobile game self-developed by Mantianxing Studio (滿天星工作室) of the Group, has obtained its licence and will be officially launched in Mainland China in the second half of 2022. The console version of *Legend of Sword and Fairy 7* (仙劍奇俠傳七), which is developed by the Group's wholly-owned subsidiary Beijing Softstar, will be launched in Hong Kong, Macau, Taiwan, Southeast Asia, Japan, Europe and North America in August 2022. Beijing Softstar will continue to roll out the single-player game *Monopoly 11* (大富翁11), which will be launched in the third quarter of 2022. Wenmai Hudong, a wholly-owned subsidiary of the Group, is developing a number of integrated strategy mobile games with global themes, including *World of Castellan* (城主天下), *Call for Pioneers* (召喚先鋒) and *Code: Soldiers* (代號：奇兵), and is progressing smoothly. Among them, *Call for Pioneers* (召喚先鋒) has already obtained its licence and will be officially launched in the second half of 2022. *World of Castellan* (城主天下) has met its goals in the testing phase and will be scheduled for launch after obtaining licence. It is planned that *Code: Soldiers* (代號：奇兵) will complete its development phase and enter the pre-launch testing stage in the fourth quarter in 2022. *Sword and Fairy World* (仙劍世界), a self-developed game by Mantianxing Studio (滿天星工作室) of the Group, will commence first round of testing in the second half of 2022 after nearly two years of development and is expected to be launched in 2023.

In the face of the professional development of 3x3 basketball and the rapid development of the eSports industry, the Group has captured the development opportunity in building a strong sporting nation. *Code: Basketball 3v3* (代號：籃球3v3), the cross-PC, console mobile-end eSport game under development by the Group's subsidiary Shanghai Zhoujing, will be the core on which to construct a "Street Basketball eSport Ecosystem" (街籃體育電競生態). The game is jointly produced by Mr. Zhao Yongshuo (趙勇碩), the father of *Street Basketball* (街頭籃球). The core team consists of the Chinese and Korean original team members of the *Street Basketball* (街頭籃球) project, which is experienced in the research and development of competitive sports games. *Street Basketball* (街頭籃球) has been running for 16 years since its launch in 2005 and has achieved a remarkable result of over 200 million accumulated registered users and a gross billing of RMB3.5 billion. The research team and the Group will strive to build *Code: Basketball 3v3* (代號：籃球3v3), a new generation street basketball-themed game, as a large-screen street basketball blockbuster game. The game will commence testing in 2022 and is expected to be launched in the first half of 2023.

Continue to Establish The Brand for *Legend of Sword and Fairy* (仙劍) IP

The Sword and Fairy's first community, the *Sword and Fairy Alliance* (仙劍聯盟), which comprises personal space, content co-creation, content monetisation and social networking, will commence testing in the second half of 2022, and will provide "Xianmi (杻米)" a platform for creation, communication and social networking. The Group will launch the story mobile card game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) in the second half of 2022. *Sword and Fairy World* (仙劍世界), the open world game self-developed by the Group, and *Legend of Sword and Fairy • Yuanqi* (仙劍·緣起), the large-scale MMORPG mobile game in cooperation with Alibaba's Lingxi Games (靈犀互娛), will also be launched in 2023. The first physical book of Legend of Sword and Fairy series, *Legend of Sword and Fairy 4* (仙劍奇俠傳四), jointly published by the Group and Moli Press of CITIC Press (中信出版·墨狸出版), will hit the shelf by 2022, while the novel of *Legend of Sword and Fairy* series Yao Tai Xue (瑤台雪) will also be released in the second half of 2022. The new edition of novel *Legend of Sword and Fairy 1* (仙劍奇俠傳一), the novel *Legend of Sword and Fairy 2* (仙劍奇俠傳二), Xian Xia Zhuan (仙霞傳) and Qiong Hua Hou Zhuan (瓊華後傳) are in the process of creation. In terms of IP derivatives, in the second half of 2022, the Group will launch the first virtual digital human Long Kui (龍葵) and its short video accounts on Kuaishou (快手) and Douyin (抖音) and so on, and roll out more collectible digital products of *Legend of Sword and Fairy* (仙劍), and many attractive derivative peripheral products. At the same time, Hangzhou Xiqi Xianjian Town (杭州西溪仙劍小鎮), the *Legend of Sword and Fairy* (仙劍) Real Scene Entertainment Project, will commence trial run during the second half of 2022.

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 2022 together with unaudited comparative figures for the six months ended 30 June 2021:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	1,232,764	2,180,133
Cost of sales	<u>(731,801)</u>	<u>(1,340,502)</u>
Gross profit	500,963	839,631
Other income and gains, net	29,740	34,098
Selling and distribution expenses	(114,635)	(225,264)
Administrative expenses	(312,522)	(183,877)
Impairment losses of financial and contract assets, net	(9,168)	(18,738)
Other expenses	(90,678)	(9,653)
Finance costs	(16,340)	(11,271)
Share of losses of a joint venture	(54)	(3)
Share of profits and losses of associates	<u>(6,678)</u>	<u>(2,307)</u>
(Loss)/Profit before tax	(19,372)	422,616
Income tax expense	<u>(6,036)</u>	<u>(44,366)</u>
(Loss)/Profit for the period	<u>(25,408)</u>	<u>378,250</u>
Attributable to owners of the parent	(21,901)	393,532
Attributable to non-controlling interests	<u>(3,507)</u>	<u>(15,282)</u>
Adjusted net (loss)/profit	<u>(15,654)</u>	<u>401,780</u>

Adjusted net (loss)/profit

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/Profit for the period attributable to owners of the parent	(21,901)	393,532
<i>Add:</i>		
Equity-settled share-based expense	<u>6,247</u>	<u>8,248</u>
Adjusted net (loss)/profit	<u>(15,654)</u>	<u>401,780</u>

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			
	2022		2021	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Game publishing	<u>1,019,941</u>	<u>82.7</u>	<u>1,525,296</u>	<u>70.0</u>
Game development	<u>182,064</u>	<u>14.8</u>	<u>567,036</u>	<u>26.0</u>
IP Licensing	<u>30,759</u>	<u>2.5</u>	<u>87,801</u>	<u>4.0</u>
Total	<u>1,232,764</u>	<u>100.0</u>	<u>2,180,133</u>	<u>100.0</u>

The Group's revenue decreased by approximately 43.5% from RMB2,180.1 million for the six months ended 30 June 2021 to RMB1,232.8 million for the six months ended 30 June 2022. This decrease was primarily attributable to:

- (i) the Group's game publishing revenue decreased by approximately 33.1% from RMB1,525.3 million for the six months ended 30 June 2021 to RMB1,019.9 million for the six months ended 30 June 2022, mainly due to the postponement of obtaining licences as scheduled for various games planned to be published in the first half of 2022 by the Group such as *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), *Rakshasa Street: Chosen One* (鎮魂街:天生為王) and *Cultivation Fantasy* (我的御劍日記) led to the delay in the launch of these games;
- (ii) the Group's game development revenue decreased by approximately 67.9% from RMB567.0 million for the six months ended 30 June 2021 to RMB182.1 million for the six months ended 30 June 2022, primarily as a result of the decrease in the average monthly gross billing for *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, and the slow-down in the growth of revenue from self-developed card and board games of the Group; and the postponement of obtaining licences as scheduled for various games planned to be published in the first half of 2022 by the Group, such as self-developed game *World of Castellan* (城主天下), led to the delay in the launch of these games; and

- (iii) the Group's IP licensing revenue decreased by approximately 65.0% from RMB87.8 million for the six months ended 30 June 2021 to RMB30.8 million for the six months ended 30 June 2022. IP licensing revenue is mainly generated from the products under the licence of *Legend of Sword and Fairy* (仙劍奇俠傳) series which is held by Beijing Softstar. IP licensing revenue decreased mainly because the Group's licensing business was not as large relatively in the first half of 2022.

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 revenue of the Group as a percentage, for the periods indicated:

	For the six months ended 30 June			
	2022		2021	
	<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	590,119	47.9	1,147,316	52.6
Commissions charged by IPs	47,145	3.8	94,228	4.3
Amortisation of IP royalties	8,595	0.7	15,724	0.7
Amortisation of game royalties	11,010	0.9	15,433	0.7
Game development costs	—	—	12,600	0.6
Others	74,932	6.1	55,201	2.6
Total	731,801	59.4	1,340,502	61.5

The Group's cost of sales decreased by approximately 45.4% from RMB1,340.5 million for the six months ended 30 June 2021 to RMB731.8 million for the six months ended 30 June 2022. The decrease was primarily attributable to the decrease in the Group's overall revenue.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by approximately 40.3% from RMB839.6 million for the six months ended 30 June 2021 to RMB501.0 million for the six months ended 30 June 2022. The Group's gross profit margin increased from 38.5% for the six months ended 30 June 2021 to 40.6% for the six months ended 30 June 2022. The increase in gross profit margin was mainly due to the increase in the proportion of the revenue of overseas publishing business of the Group, the growth in the Group's revenue sharing in overseas regions; and the reduced operation and maintenance costs of the self-developed games in operation led to increase in gross profit margin of the research and development business.

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			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Bank interest income	3,531	11.9	6,925	20.3
Government grants	17,477	58.8	10,599	31.1
Fair value adjustment of contingent consideration	3,949	13.3	2,670	7.8
Fair value gains on financial assets at fair value through profit or loss	—	—	10,790	31.6
Exchange gain	1,917	6.4	1,407	4.1
Others	2,866	9.6	1,707	5.1
Total	29,740	100.0	34,098	100.0

The Group's other income and gains decreased by approximately 12.8% from RMB34.1 million for the six months ended 30 June 2021 to RMB29.7 million for the six months ended 30 June 2022. The decrease was primarily attributable to the lower fair value gains on multiple financial assets at fair value through profit or loss as compared to the corresponding period in 2021; and the Group's interest income decreased as compared to the same period of last year.

Selling and distribution expenses

The Group's selling and distribution expenses consist primarily of (i) marketing expenses; and (ii) salaries and benefits 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			
	2022		2021	
	<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	91,220	7.4	194,115	8.9
Salaries and benefits	21,535	1.7	28,048	1.3
Office costs and utilities	1,279	0.1	2,426	0.1
Others	601	0.1	675	0.0
Total	114,635	9.3	225,264	10.3

The Group's selling and distribution expenses decreased by approximately 49.1% from RMB225.3 million for the six months ended 30 June 2021 to RMB114.6 million for the six months ended 30 June 2022. The decrease was primarily attributable to (i) the decrease in the Group's total revenue; (ii) the postponement of obtaining licences as schedules for various games planned to be published by the Group, resulting in lower promotion expenses; (iii) decrease in staff salaries due to decrease in sales personnel of the Group.

Administrative expenses

The Group's administrative expenses consist primarily of (i) salaries and benefits for its 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			
	2022		2021	
	<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 benefits	53,216	4.3	36,201	1.7
Office costs and utilities	54,154	4.4	23,114	1.0
Research and development expenses	204,309	16.6	123,770	5.7
Others	843	0.1	792	0.0
Total	312,522	25.4	183,877	8.4

The Group's administrative expenses increased by approximately 70.0% from RMB183.9 million for the six months ended 30 June 2021 to RMB312.5 million for the six months ended 30 June 2022. The 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 65.1% from RMB123.8 million for the six months ended 30 June 2021 to RMB204.3 million for the six months ended 30 June 2022.

Impairment losses of financial and contract assets, net

The Group's net impairment losses of financial and contract assets represent the impairment losses of trade receivables. The Group's impairment losses on financial and contract assets decreased by 51.1% from RMB18.7 million for the six months ended 30 June 2021 to RMB9.2 million for the six months ended 30 June 2022 under the relevant management policies of the Group adopted in accordance with HKFRS 9.

Other expenses

The Group's other expenses increased by approximately 839.4% from RMB9.7 million for the six months ended 30 June 2021 to RMB90.7 million for the six months ended 30 June 2022. The increase was primarily attributable to (i) fair value losses on financial assets at fair value through profit or loss of RMB 43.7 million for the six months ended 30 June 2022; and (ii) an increase in impairment losses on assets of approximately RMB31.5 million recognised for certain IP games with launching schedules being deferred and therefore with contracts being expired.

Finance costs

The Group's finance costs mainly consist of interest expenses, and increased by approximately 45.0% from RMB11.3 million for the six months ended 30 June 2021 to RMB16.3 million for the six months ended 30 June 2022, mainly due to the increase in interest expenses of the bank borrowings of the Group.

Share of losses of a joint venture

As at 30 June 2022, 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.

Share of profits and losses of associates

As at 30 June 2022, the Group held minority equity interests in several associates. The Group's share of profits and losses of associates increased from a loss of RMB2.3 million for the six months ended 30 June 2021 to a loss of RMB6.7 million for the six months ended 30 June 2022. It was primarily attributable to share of profit of RMB1.5 million of Shenzhen Zhichengqianli Investment Enterprise (Limited Partnership) (深圳市志成千里投資企業(有限合夥)), share of loss of RMB2.6 million of Shanghai Fengguo Network Information (上海蜂果網絡科技有限公司), and share of loss of RMB5.8 million of Hangzhou Huanwen Technology Co., Ltd. (杭州幻文科技有限公司).

Loss before tax

As a result of the foregoing, the Group's profit before tax experienced a change from RMB422.6 million for the six months ended 30 June 2021 to a loss of RMB19.4 million for the six months ended 30 June 2022.

Income tax expense

The Group's income tax expense decreased by 86.4% from RMB44.4 million for the six months ended 30 June 2021 to RMB6.0 million for the six months ended 30 June 2022. The decrease was mainly due to the decrease in profits before tax for the six months ended 30 June 2022.

Loss for the period

As a result of the foregoing, the Group's profit for the period experienced a change from RMB378.3 million for the six months ended 30 June 2021 to a loss of RMB25.4 million for the six months ended 30 June 2022.

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 decreased by approximately 45.5% from RMB818.5 million as at 31 December 2021 to RMB446.2 million as at 30 June 2022. This decrease was primarily attributable to (i) the increase in prepayments, other receivables and other assets of approximately RMB136.4 million, mainly for prepayments of loyalty fees made to IP owners and game developers, for entitlement to develop, publish and operate IP-based mobile games and developed games during the six months ended 30 June 2022; (ii) the decrease in trade payables of approximately RMB138.1 million due to the lesser amount of payables arisen from the current period and the settlement of a large portion of payables brought forward from the prior year; (iii) purchase of financial assets at fair value through profit or loss by approximately RMB456.3 million; and partially offset by, (iv) disposal of financial assets at fair value through profit or loss of approximately RMB230.4 million.

As at 30 June 2022, the current assets of the Group amounted to approximately RMB2,855.5 million, and the current liabilities of the Group amounted to approximately RMB1,808.4 million.

As at 30 June 2022, the current ratio (being the current assets divided by current liabilities as at the end of each period) of the Group was 1.6 times as compared with 1.9 times as at 31 December 2021, which ratio was relatively stable as at 31 December 2021 and 30 June 2022.

As at 30 June 2022, the gearing ratio (being the total debt divided by total equity as at the end of each period) of the Group was 13.7% as compared with 13.2% as at 31 December 2021, which ratio was relatively stable as at 31 December 2021 and 30 June 2022.

Indebtedness

During the Reporting Period, the Group obtained bank borrowings of RMB273.2 million and repaid bank borrowings of RMB250.1 million.

As at 30 June 2022, the Group had interest-bearing bank and other borrowings of RMB799.7 million (31 December 2021: RMB764.6 million), including (i) unsecured bank borrowings amounting to RMB629.7 million; and (ii) bank borrowings amounting to RMB170.0 million, secured by the pledge of the Group's time deposits in the sum of RMB211.8 million. The Group's effective interest rates on its secured bank borrowings were 4.50%, and the Group's effective interest rates on its unsecured bank borrowings ranged from 2.41% to 5.50%.

As at 30 June 2022, the lease liabilities of the Group were RMB41.6 million (31 December 2021: RMB25.1 million).

Off-balance sheet commitments and arrangements

As at 30 June 2022, the Group did not enter into any off-balance sheet transactions (31 December 2021: Nil).

Pledges of assets

Among the total bank and other borrowings of the Group as at 30 June 2022, approximately RMB170.0 million (31 December 2021: RMB170.0 million) were secured, which accounted for approximately 21.3% (31 December 2021: 22.2%) 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 2022 mainly with its internal resources.

The Group's capital commitments as at 31 December 2021 and 30 June 2022 amounted to RMB305.1 million and RMB255.5 million, respectively. The Group's capital commitments as at 30 June 2022 was primarily for the purchase of IP and game licenses.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
REVENUE	6	1,232,764	2,180,133
Cost of sales		<u>(731,801)</u>	<u>(1,340,502)</u>
Gross profit		500,963	839,631
Other income and gains, net		29,740	34,098
Selling and distribution expenses		(114,635)	(225,264)
Administrative expenses		(312,522)	(183,877)
Impairment losses on financial and contract assets, net		(9,168)	(18,738)
Other expenses		(90,678)	(9,653)
Finance costs		(16,340)	(11,271)
Share of profits and losses of:			
A joint venture		(54)	(3)
Associates		(6,678)	(2,307)
(LOSS)/PROFIT BEFORE TAX	7	(19,372)	422,616
Income tax expense	8	(6,036)	(44,366)
(LOSS)/PROFIT FOR THE PERIOD		<u>(25,408)</u>	<u>378,250</u>
Attributable to:			
Owners of the parent		(21,901)	393,532
Non-controlling interests		(3,507)	(15,282)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic and diluted			
– For (loss)/profit for the period		<u>RMB(0.79) cents</u>	<u>RMB15.23 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	<u>(25,408)</u>	<u>378,250</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>1,095</u>	<u>(432)</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>1,095</u>	<u>(432)</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation from functional currency to presentation currency	<u>47,203</u>	<u>(15,444)</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>47,203</u>	<u>(15,444)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>48,298</u>	<u>(15,876)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>22,890</u>	<u>362,374</u>
Attributable to:		
Owners of the parent	<u>26,397</u>	377,656
Non-controlling interests	<u>(3,507)</u>	<u>(15,282)</u>
	<u>22,890</u>	<u>362,374</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property and equipment		9,248	8,747
Right-of-use assets		40,056	24,180
Goodwill		1,137,069	1,107,937
Other intangible assets		512,282	536,513
Investment in a joint venture		4,639	4,692
Investments in associates		224,723	231,400
Financial assets at fair value through profit or loss	11	2,099,127	1,896,914
Deferred tax assets		67,275	58,182
Prepayments	13	797,664	647,973
Total non-current assets		<u>4,892,083</u>	<u>4,516,538</u>
CURRENT ASSETS			
Trade and bills receivables	12	1,109,158	1,052,446
Prepayments, other receivables and other assets	13	1,075,051	940,869
Due from related parties		12,368	11,064
Pledged deposits		212,780	502,282
Cash and cash equivalents		446,177	818,520
Total current assets		<u>2,855,534</u>	<u>3,325,181</u>
CURRENT LIABILITIES			
Trade payables	14	240,358	378,488
Other payables and accruals		428,368	488,966
Contingent consideration for business combination		174,287	—
Interest-bearing bank and other borrowings		799,718	764,601
Tax payable		138,710	135,303
Due to related parties		6,450	4,215
Lease liabilities		20,522	16,631
Total current liabilities		<u>1,808,413</u>	<u>1,788,204</u>

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
NET CURRENT ASSETS	1,047,121	1,536,977
TOTAL ASSETS LESS CURRENT LIABILITIES	5,939,204	6,053,515
NON-CURRENT LIABILITIES		
Deferred tax liabilities	66,152	72,973
Contingent consideration for business combination	–	178,236
Lease liabilities	21,067	8,444
Total non-current liabilities	87,219	259,653
Net assets	5,851,985	5,793,862
EQUITY		
Equity attributable to owners of the parent		
Issued capital	1,925	1,925
Reserves	5,824,763	5,791,937
	5,826,688	5,793,862
Non-controlling interests	25,297	–
Total equity	5,851,985	5,793,862

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 Act (as revised) 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 licensing of intellectual property in Mainland China, Hong Kong, Taiwan and Korea, and investment business in Mainland China.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting*. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2021.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period's financial statements.

Annual Improvements to HKFRSs	<i>Annual Improvements to HKFRSs 2018-2020</i>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment - Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>

The adoption of these new or amended HKFRSs did not have any material impact on the Group's accounting policies.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing the interim condensed consolidated financial statements, significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Group's consolidated financial statements for the year ended 31 December 2021.

5. OPERATING SEGMENT INFORMATION

For the six months ended 30 June 2022

Segments	Game publishing RMB'000 (Unaudited)	Game development RMB'000 (Unaudited)	Licensing of intellectual property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (Note 6)				
Sales to external customers	1,019,941	182,064	30,759	1,232,764
Intersegment sales	—	131,536	—	131,536
	<u>1,019,941</u>	<u>313,600</u>	<u>30,759</u>	<u>1,364,300</u>
Reconciliation:				
Elimination of intersegment sales				<u>(131,536)</u>
Total revenue from contracts with customers				<u><u>1,232,764</u></u>
Segment results	367,015	110,279	23,669	500,963
Reconciliation:				
Other income and gains, net				29,740
Selling and distribution expenses				(114,635)
Administrative expenses				(312,522)
Impairment losses on financial and contract assets, net				(9,168)
Other expenses				(90,678)
Finance costs				(16,340)
Share of profits and losses of:				
A joint venture				(54)
Associates				<u>(6,678)</u>
LOSS BEFORE TAX				<u><u>(19,372)</u></u>

For the six months ended 30 June 2021

Segments	Game publishing RMB'000 (Unaudited)	Game development RMB'000 (Unaudited)	Licensing of intellectual property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (Note 6)				
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 with customers				<u><u>2,180,133</u></u>
Segment results	513,951	263,144	62,536	839,631
Reconciliation:				
Other income and gains, net				34,098
Selling and distribution expenses				(225,264)
Administrative expenses				(183,877)
Impairment losses on financial 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>
PROFIT BEFORE TAX				<u><u>422,616</u></u>

6. REVENUE

An analysis of revenue is as follows:

During the six months ended 30 June 2022, the postponement of obtaining licences as scheduled for various games planned to be published led to a decrease in revenue.

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 June 2022

Segments	Game publishing RMB'000 (Unaudited)	Game development RMB'000 (Unaudited)	Licensing of intellectual property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services				
Mobile game publishing services	1,019,941	—	—	1,019,941
Game development related services	—	182,064	—	182,064
Licensing of intellectual property	—	—	30,759	30,759
Total revenue from contracts with customers	<u>1,019,941</u>	<u>182,064</u>	<u>30,759</u>	<u>1,232,764</u>
Geographical markets				
Mainland China	797,867	180,535	26,795	1,005,197
Other countries/regions	222,074	1,529	3,964	227,567
Total revenue from contracts with customers	<u>1,019,941</u>	<u>182,064</u>	<u>30,759</u>	<u>1,232,764</u>
Timing of revenue recognition				
Services transferred over time	1,019,941	182,064	3,964	1,205,969
Services transferred at a point in time	—	—	26,795	26,795
Total revenue from contracts with customers	<u>1,019,941</u>	<u>182,064</u>	<u>30,759</u>	<u>1,232,764</u>

For the six months ended 30 June 2021

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

7. (LOSS)/PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Commissions charged by channels and third-party game developers	(a)	590,119	1,147,316
Commissions charged by intellectual properties (“IP”) owners		47,145	94,228
Game development cost		—	12,600
Promotion expenses		91,220	194,115
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages and salaries		175,710	115,571
Equity-settled share-based expense		6,247	8,248
Pension scheme contributions (defined contribution scheme)	(b)	23,820	12,428
		205,777	136,247
Depreciation of property and equipment		2,220	1,555
Depreciation of right-of-use assets		8,605	10,284
Amortisation of other intangible assets	(c)	32,577	39,204
Research and development costs		204,309	123,770
Lease payments not included in the measurement of lease liabilities		3,814	977
Foreign exchange differences, net		(1,917)	(1,407)
Impairment losses on financial and contract assets, net:			
Impairment of trade receivables, net		9,168	18,738
Write-off of prepayments, other receivables and other assets	(d)	34,743	3,283
Effect on early termination of lease		(267)	—
Impairment of other intangible assets	(e)	10,151	6,018
Bank interest income		(3,531)	(6,925)
Loss on disposal of items of property and equipment		103	259
Auditor's remuneration		1,350	1,050
Fair value losses/(gains) on financial assets at fair value through profit or loss		43,659	(10,790)
Fair value adjustment of contingent consideration for business combination		(3,949)	(2,670)

Notes:

- (a) Zhejiang Shiji Huatong Group Limited (“**Shiji Huatong**”), a listed company on the Shenzhen Stock Exchange (SZSE:002602), and a wholly-owned subsidiary of Shiji Huatong is a limited partner of Changpei (Shanghai) Investment Centre (Limited Partnership) (“**Changpei Shanghai**”). Pursuant to the partnership agreement of Changpei Shanghai, the general partner shall have the exclusive and sole right of management of the affairs of the partnership and limited partners shall have no power to conduct the business of the partnership nor shall limited partners represent the partnership. Also, limited partners shall not participate in the management or control of the investment business of the partnership. Therefore, as Shiji Huatong neither has any voting rights in the Company through its holding vehicles nor has significant influence on the Company, the directors of the Company believe that Shiji Huatong is an independent third party with the Group. Shiji Huatong provided channel services to the Group, which amounted to RMB62,620,000 during the six months ended 30 June 2022 (2021: RMB415,399,000), and the balance of trade receivables from Shiji Huatong as at 30 June 2022 was RMB9,741,000 (31 December 2021: RMB18,880,000).
- (b) There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.
- (c) The amortisation of other intangible assets for the period is included in “Cost of sales” in the condensed consolidated statement of profit or loss.
- (d) Write-off of prepayments is included in “Other expenses” in the condensed consolidated statement of profit or loss.
- (e) Impairment of other intangible assets is included in “Other expenses” in the condensed consolidated statement of profit or loss.

8. 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 Cayman.

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 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 Corporate Income Tax Law in the People’s Republic of China (“**PRC**”) effective on 1 January 2008, the PRC corporate income tax 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. (“**Shenzhen Douyue**”) and China Mobile Games and Entertainment Group Limited Shenzhen (“**Shenzhen Zhongshouyou**”) were accredited as a high and new technology enterprise (“**HNTE**”) in 2020 under relevant PRC laws and regulations. Accordingly, Shenzhen Douyue and Shenzhen Zhongshouyou were entitled to a preferential Corporate Income Tax (“**CIT**”) rate of 15% from 2020 to 2022.

Beijing Wenmai Hudong Technology Company Limited (“**Wenmai Hudong**”) was accredited as a HNTE and entitled to a tax rate of 15% when the certificate is valid for three years since its renewal in 2019. Wenmai Hudong needs to renew the HNTE certificate every three years so as to enjoy the reduced tax rate of 15%.

Softstar Technology (Beijing) Co., Ltd. has been accredited as a HNTE since 2009 and was entitled to a tax rate of 15% when the certificate was valid for three years since its renewal in 2021.

Horgos Bell Mutual Entertainment Technology Co., Ltd. was established in the Horgos Development Zone of Xinjiang in 2016. According to the applicable regulations promulgated by the State Council and relevant authorities, it was entitled to tax exemption for five years from 2016 which was the first tax year with production and operation income and is entitled to a preferential CIT rate of 12.5% for five years thereafter from 2021 to 2025.

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

Shengyue Software (Shenzhen) Co., Ltd. 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 is 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 from 2020 which was the first tax year with production and operation income.

Tibet Jichuang Internet Technology Co., Ltd. (“**Tibet Jichuang**”) 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 was 15% for the year ended 31 December 2021 and the year ending 31 December 2022.

Hainan Chuangyue Technology Company Limited (“**Hainan Chuangyue**”) and Hainan Zhanshen Internet Technology Company Limited (“**Hainan Zhanshen**”) 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 and Hainan Zhanshen was 15% each for the year ended 31 December 2021 and the year ending 31 December 2022.

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current Tax Expense		
PRC	15,336	47,926
Hong Kong	6,615	—
	21,951	47,926
Deferred Tax Credit		
PRC	(15,915)	(3,560)
Total tax charge for the period	6,036	44,366

9. DIVIDENDS

The Board of Directors resolved not to pay any interim dividend to the shareholders in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

The calculation of the basic loss/earnings per share amounts is based on the loss/profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,768,050,000 (30 June 2021: 2,584,242,818) in issue during the period.

The Group had no dilutive potential ordinary shares in issue during the six months ended 30 June 2022 and 2021.

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted loss/earnings per share calculation	<u>(21,901)</u>	<u>393,532</u>
	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss/earnings per share calculation	<u>2,768,050,000</u>	<u>2,584,242,818</u>

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Listed equity investments, at fair value	186,165	195,267
NEEQ quoted equity investment, at fair value	—	31,220
Unlisted equity investments, at fair value	1,382,179	1,586,350
Convertible loans, at fair value	530,783	84,077
	<u>2,099,127</u>	<u>1,896,914</u>

In May 2018, the Group acquired 26% of the issued shares of Angel Fund (Asia) Investments Limited (“**Angel Fund**”) from Angel (Partners) Investments Limited with the consideration of 1,270,963 issued shares of Ridgeview Well Investment Limited, the then sole shareholder of the Company. Angel Fund held 9,740,562 shares, representing 20.368% of the total issued shares of Softstar Entertainment Inc, which is a company listed on the Taiwan Stock Exchange (TAIPEI: 6111). The fair value of the investment in Angel Fund was RMB50,095,000 (2021: RMB65,679,000) as at 30 June 2022.

In April 2018, CMGE Group Limited transferred the investment in China Prosperity Capital Mobile Internet Fund L.P (“**CPC Fund**”) to the Group. In June 2018, the Group injected cash of US\$8,300,000 (equivalent to RMB54,442,000) to CPC Fund. The Group acted as a limited partner and held 25.65% of its limited partnership interests. The fair value of the investment in CPC Fund was RMB212,607,000 (2021: RMB210,554,000) as at 30 June 2022.

In February 2020, Guohong Jiaxin (Shenzhen) Angel Venture Capital Enterprise (L.P.) (“**Angel Venture**”) has been set up after obtaining all the related licenses and approval documentations. The fair value of the investment in Angel Venture was RMB178,000,000 (2021: RMB188,321,000) as at 30 June 2022.

The Group holds 26%, 25.65% and 38.08% limited partnership interests in Angel Fund, CPC Fund, and Angel Venture, respectively. Pursuant to the relevant partnership agreements of these three funds, the Group is entitled to investment return, but has no right or power to participate in the management or control of the funds. Therefore, the Group has neither control nor significant influence on Angel Fund, CPC Fund and Angel Venture and they are treated as financial instruments at fair value through profit or loss.

As at 31 December 2021, unlisted equity investments included certain investments in a third party investment company amounting to RMB226,639,000. This investment was fully recovered in March 2022.

12. TRADE AND BILLS RECEIVABLES

	30 June 2022	31 December 2021
	RMB’000	RMB’000
	(Unaudited)	(Audited)
Trade receivables	1,202,566	1,138,216
Allowance for impairment	(105,648)	(96,480)
	<hr/>	<hr/>
Trade receivables, net	1,096,918	1,041,736
Bills receivable	12,240	10,710
	<hr/>	<hr/>
	1,109,158	1,052,446
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables mainly represent amounts receivable from third-party publishing channels. The Group normally allows credit terms 180 days for established channels and other counter parties and extends credit terms up to 270 days for major channels and other counter parties. 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:

	30 June 2022	31 December 2021
	RMB’000	RMB’000
	(Unaudited)	(Audited)
Within 6 months	789,437	620,678
6 months to 1 year	153,226	262,384
1 year to 18 months	106,521	121,238
18 months to 2 years	42,892	34,839
Over 2 years	4,842	2,597
	<hr/>	<hr/>
	1,096,918	1,041,736
	<hr/> <hr/>	<hr/> <hr/>

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current portion		
Prepayments	<u>797,664</u>	<u>647,973</u>
Current portion		
Prepayments	613,829	508,816
Deposits and other receivables	416,836	374,709
Contract costs	44,386	57,344
	<u>1,075,051</u>	<u>940,869</u>
	<u>1,872,715</u>	<u>1,588,842</u>

14. TRADE PAYABLES

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	141,429	158,004
3 to 6 months	70,994	133,083
6 months to 1 year	6,557	83,273
1 year to 2 years	16,729	2,586
Over 2 years	4,649	1,542
Total	<u>240,358</u>	<u>378,488</u>

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 2022, 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.

In January 2022, the Group acquired 70% equity interest in Guangzhou Chuxin Technology Company Limited (廣州初歆科技有限公司), which was principally engaged in software, information and technology operation in the PRC, by capital injection of RMB30 million. The objective of the acquisition was to expand the Group's mobile game publishing business. The goodwill arisen amounted to approximately RMB9.6 million.

In June 2022, the Group acquired 51% equity interest in Hainan Guming Technology Company Limited (海南古茗科技有限公司), which was principally engaged in digital art related business in the PRC, by capital injection of RMB10 million. The acquisition was made with the objective to diversify the Group's business, and it resulted in a goodwill of approximately RMB2.6 million.

In June 2022, the Group acquired 51% equity interest in Shanghai Zhoujing, which was principally engaged in game development business in the PRC, by capital injection of RMB30 million. The acquisition was made with the objective to expand the Group's eSports business. The goodwill arose from the acquisition amounted to approximately RMB16.8 million.

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 subscription of new shares by Bilibili Inc. and other subscribers completed on 10 May 2021 (the "Subscription") as set out in the relevant announcements dated 29 April 2021 and 10 May 2021. 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

During the six months ended 30 June 2022, the Group did not purchase, sell or redeem any of the Company's listed securities.

IMPORTANT EVENTS AFFECTING THE GROUP SINCE 30 JUNE 2022

The Group has been closely monitoring the impact of the COVID-19 pandemic since 2020. 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 2022 and up to the date of this announcement.

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 31 December 2021, and during the six months ended 30 June 2022; (ii) the amount of unutilised net proceeds of the Company as at 30 June 2022; and (iii) the expected timeline of the Company for the full utilisation of the remaining unutilised proceeds:

No.	Purposes	Amount of the net proceeds (HK\$ in millions)	Amount utilised between the completion of the Subscription and 31 December 2021 (HK\$ in millions)	Amount utilised during the six months ended 30 June 2022 (HK\$ in millions)	Amount of unutilised net proceeds as at 30 June 2022 (HK\$ in millions)	Expected timeline for the full utilisation of the remaining proceeds
1.	Further enhance IP-based game publishing and development business through acquisitions and/or investments	849.15	470.90	268.95	109.30	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 Subscription, for the long-term benefit and development of the Group. The current expected timelines for using the unutilised net proceeds from 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 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 2022 (30 June 2021: Nil).

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

Ms. Ng Yi Kum, an independent non-executive Director, did not offer herself for re-election at the annual general meeting of CT Vision S.L. (International) Holdings Limited (“**CT Vision**”) (formerly known as CT Vision (International) Holdings Limited), a company listed on the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) (stock code: 0994), and accordingly, has retired from the board of CT Vision with effect from 30 June 2022.

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 2022 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2022, 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 C.2.1 of the CG Code. Pursuant to code provision C.2.1 of the CG Code, the roles 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 2022 to 30 June 2022.

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, 25 August 2022

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.