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Infinites Technology International (Cayman) Holding Limited

多牛科技國際(開曼)集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1961)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Infinites Technology International (Cayman) Holding Limited (the “**Company**”) announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (“**First Half 2023**”) together with the comparative figures for the corresponding period in 2022.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Six months ended 30 June		Change (%)
	2023 (RMB'000) (Unaudited)	2022 (RMB'000) (Unaudited)	
Revenue	142,787	43,197	230.5%
Gross profit	23,647	872	2,611.8%
Loss for the period	(10,544)	(35,187)	-70.0%

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the First Half 2023 (six months ended 30 June 2022 (“**First Half 2022**”): Nil).

REVIEW OF OPERATION

The First Half of 2023 witnessed a period of innovation and challenges as the impact of the global COVID-19 pandemic on economy gradually subsided, leading to a steady recovery in the market landscape. Simultaneously, the rise of Artificial Intelligence Generated Content (“**AIGC**”) brought significant changes in industry production efficiency and methods. Under such environment, the Company remained committed to strengthening its core business while actively seeking diversified development and deepening its business segmentation structure. The Company maintained a strong focus on the stable development of its mobile game development and operation, digital media distribution, and game product supply businesses. By enriching the diversified business structure, the Company steadily advanced its growth trajectory. Furthermore, the Company seized new opportunities emerging in the industry development by adapting to global market trends and exploring innovative business models. In the First Half 2023, the Company expanded its business segmentation structure, developed and operated the AIGC mobile apps to further expand its business scale.

The Company’s revenue increased by approximately RMB99.6 million or 230.5% from approximately RMB43.2 million in the First Half 2022 to approximately RMB142.8 million in the First Half 2023. Such increase was primarily driven by a revenue increase of approximately RMB21.4 million from the mobile game development and operation and information services business, approximately RMB38.6 million from the digital media content distribution business, and approximately RMB39.6 million from the newly expanded game product supply business. Gross profit increased by approximately RMB22.8 million or 2,611.8% from approximately RMB0.9 million in the First Half 2022 to approximately RMB23.7 million in the First Half 2023. Such increase was mainly attributed to the Company’s adjustment of its business strategy since the second half of 2022, focusing on deepening its business structure, diversifying domestic and international operations, gradually improving revenue and profitability, and avoiding the low-profit and low-gross margin situation associated with a relatively single business structure in the past.

The Company's loss decreased by approximately RMB24.7 million from a loss of approximately RMB35.2 million in the First Half 2022 to a loss of approximately RMB10.5 million in the First Half 2023. The narrowing of the loss was mainly due to (i) an increase in gross profit of approximately RMB22.8 million; (ii) an increase in other income approximately RMB1.1 million; (iii) a decrease in other expenses of approximately RMB5.9 million; and (iv) a reduction in the trade receivables impairment of approximately RMB11.7 million, partially offset by an increase in selling and distribution expenses of approximately RMB4.5 million, an increase in administrative expenses of approximately RMB5.5 million, and an increase in research and development expenses of approximately RMB6.7 million.

OUTLOOK

With the normalization of domestic and imported game publication approvals, coupled with significant achievements in epidemic prevention and control, the gaming industry has entered a phase of rapid recovery in the First Half 2023. The year-on-year growth in the gaming market is a clear indication of positive momentum, and it is expected to experience even stronger and more stable development in the second half of the year.

Looking forward, with the issuance of the “Plan for the Overall Layout of Building a Digital China (《數字中國建設整體佈局規劃》)” by the Communist Party of China Central Committee and the State Council, as well as the introduction of various significant measures. A macro environment that promotes the development of the digital economy has been formed, and the foundation for enterprise development in the digital economy industry has become more solid. The digital industry has a significant impact on both the country and the global community. Therefore, the Company's involvement in the digital entertainment industry has enormous potential in the upcoming tide of China's digital economic development.

In the First Half 2023, the wave of AIGC swept through the digital economy, including the gaming industry, driving a new wave of transformative change in the industry productivity. AIGC permeated various aspects such as content generation, advertising placement, and game development, promoting the diversification of the gaming industry.

The Company is committed to long-term sustainability and responding to the national policy call for the development of the digital economy. In an increasingly digitized world, where new-generation information technology is constantly advancing, the Company will seize the industry opportunities brought by the explosion of artificial intelligence technology, and will continue to increase investment in research and development in game engine, game publishing and operations, and the creation of diverse and innovative product portfolios. While enhancing the market competitiveness, the Company will actively seek opportunities to upgrade its business models, further explore the integration and expansion of the new AIGC track with the Company's operations, integrate resources to foster innovation, and continuously inject new momentum into the Company's long-term development.

PROSPECTS

In the second half of 2023, the Company will continue to expand and leverage our strengths in mobile game development and operations, digital media content distribution, and game product supply. The Company will maintain stable business growth and further strengthen collaborations with leading media platforms in the industry. Additionally, the Company will continue to explore the market demands, develop and upgrade AIGC mobile app, accelerate the expansion of the game product supply market, actively explore overseas markets, and further enhance its revenue generation capabilities.

In the future, the Company will continue to maintain the healthy development of each business by allocating resources in a flexible and timely manner. The Company will actively pursue diversification in each segmentation and prioritize the stability and profitability of the overall business. The Company remains optimistic and has full confidence in its 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 operates.

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

	Six months ended 30 June		Change (%)
	2023	2022	
Game			
Number of paying players ('000)	680.0	73.8	821.4%
Average MPUs ('000)	113.3	12.3	821.1%
Average ARPPU (RMB)	114.9	493.0	-76.7%

- MPUs. The average monthly paying users (“MPUs”) for the game business increased to approximately 113.3 thousand for the First Half 2023 from approximately 12.3 thousand for the First Half 2022. Such increase was primarily due to the fact that in the First Half 2023, while continuing to serve players in China, the Group gradually expanded its gaming business into the overseas multiplayer mobile gaming market, continuously accumulating and serving players both domestically and internationally. At the same time, during the First Half 2023, the Group obtained more diverse gaming products through increased its research and development investment or licensing. Hence, it attracted a large group of paying players.
- ARPPU. The average revenue per paying user (“ARPPU”) level of game business decreased to approximately RMB114.9 for the First Half 2023 as compared to approximately RMB493.0 for the First Half 2022. Such decrease was primarily due to the fact that in the First Half 2023, (i) the base of paying users was larger than that of the First Half 2022; and (ii) the ARPPU for overseas users was lower.

The following table sets forth the Group’s interim condensed consolidated statement of profit or loss for the First Half 2023 as compared to the First Half 2022:

	Six months ended 30 June		Change (%)
	2023 <i>(RMB’000)</i> (Unaudited)	2022 <i>(RMB’000)</i> (Unaudited)	
Revenue	142,787	43,197	230.5%
Cost of sales	(119,140)	(42,325)	181.5%
Gross profit	23,647	872	2,611.8%
Other income	1,902	792	140.2%
Selling and distribution expenses	(4,724)	(257)	1,738.1%
Administrative expenses	(14,534)	(9,033)	60.9%
Research and development expenses	(12,189)	(5,495)	121.8%
Impairment of trade receivables	(1,039)	(12,721)	-91.8%
Other expenses	(3,060)	(9,008)	-66.0%
Finance costs	(163)	(26)	526.9%
Share of results of associates	(33)	(214)	-84.6%
Loss before tax	(10,193)	(35,090)	-71.0%
Income tax expense	(351)	(97)	261.9%
Loss for the period	(10,544)	(35,187)	-70.0%

Revenue

Revenue increased by approximately RMB99.6 million or 230.5% to approximately RMB142.8 million for the First Half 2023 from approximately RMB43.2 million for the First Half 2022. The following table sets forth the revenue of the Group by business for the six months ended 30 June 2022 and 2023:

	Six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	<i>% to total</i>	<i>RMB'000</i>	<i>% to total</i>
	(Unaudited)	revenue	(Unaudited)	revenue
Mobile games				
— Development and operation	54,833	38.4%	40,017	92.6%
— Information services	6,865	4.8%	240	0.6%
Digital media				
— Content distribution	1,209	0.8%	2,940	6.8%
— Advertisement distribution services	19,095	13.4%	—	—
— Subscription fee of AIGC mobile app	21,221	14.9%	—	—
Gaming products supply	39,564	27.7%	—	—
Total Revenue from contracts with customers	142,787	100.0%	43,197	100.0%

- Revenue generated from the Group's mobile games increased by approximately RMB21.4 million or 53.3% to approximately RMB61.7 million for the First Half 2023 from approximately RMB40.3 million for the First Half 2022. Such increase was primarily due to the fact that, since the second half of 2022, the Group has been adjusting its business strategy, continuously optimizing the segmentation structure of its mobile gaming business, and obtained more diverse gaming products through increased its research and development investment or licensing. It has also actively expanded its mobile gaming development, operation business and information service business in the overseas markets. These optimization adjustments have shown significant results in the First Half 2023, greatly enhancing the revenue generation capability of this business.
- Revenue generated from the Group's digital media content distribution increased by approximately RMB38.6 million or 1,312.4% to approximately RMB41.5 million for the First Half 2023 from approximately RMB2.9 million for the First Half 2022. Such increase was primarily due to the fact that, since the second half of 2022, the Group has been adjusting its business strategy and continuously optimizing the segmentation structure of its digital media business. The Company has expanded its

distribution and service business advertisement distribution services in both the domestic and international markets. At the same time, at the onset of the AIGC wave, the Group strategically developed and operated AIGC mobile apps, achieving significant success in the First Half 2023. These series of measures have propelled the digital media business towards a diversified product structure, greatly enhancing its revenue generation capability compared to the previous relatively single-product structure.

- Revenue generated from the Group's gaming products supply business was approximately RMB39.6 million in the First Half 2023 (First Half 2022: Nil). This business was newly expanded by the Group in the second half of 2022, primarily supplying game consoles, console games, related merchandise and accessories to third-party clients or Chengdu Dianwan Bashi Commerce Company Limited* (成都電頑巴士商貿有限公司) and its affiliates.

Cost of sales

Cost of sales increased by approximately RMB76.8 million or 181.5% to approximately RMB119.1 million for the First Half 2023 from approximately RMB42.3 million for the First Half 2022. The increase was mainly due to the substantial increase in the revenue for the First Half 2023, which resulted in the significant increase in service fees charged by the Group's distributors. For the First Half 2023, the percentage of cost of sales to total revenue decreased to approximately 83.4% (for the First Half 2022: 98.0%) mainly due to the Group's adjustment of its business strategy since the second half of 2022, focusing on deepening its business structure and diversifying. This gradual improvement in revenue and profit generation capabilities improved the low profitability and low gross margin situation associated with its previously relatively singular business structure.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB4.4 million or 1,738.1% to approximately RMB4.7 million for the First Half 2023 from approximately RMB0.3 million for the First Half 2022. Such increase was principally due to an increase in the advertising spend and distribution during the period.

Administrative expenses

Administrative expenses increased by approximately RMB5.5 million or 60.9% to approximately RMB14.5 million for the First Half 2023 from approximately RMB9.0 million for the First Half 2022. Such increase was principally due to the higher expenses in employee costs and office rent during the period.

Research and development expenses

Research and development expenses increased by approximately RMB6.7 million or 121.8% to approximately RMB12.2 million for the First Half 2023 from approximately RMB5.5 million for the First Half 2022. Such increase was principally due to increase investment in the development of multiplayer mobile game projects in response to the market changes and additional resources allocated to the development of AIGC project products during the period.

Other income

Other income increased to approximately RMB1.9 million for the First Half 2023 from approximately RMB0.8 million for the First Half 2022. Such increase was mainly due to the increase in the government grants and the additional deduction of input value-add tax.

Impairment of trade receivables

Impairment of trade receivables was approximately RMB1.0 million for the First Half 2023 as compared to approximately RMB12.7 million for the First Half 2022. Such decrease was mainly due to the impairment risk of trade receivables has been adequately considered in the past, and improved in the collectability of oversea receivable balance.

Other expenses

Other expenses were approximately RMB3.1 million for the First Half 2023, as compared to other expenses of approximately RMB9.0 million for the First Half 2022. Such decrease was mainly due to the deposits has been adequately considered for impairment risk in the past, and no additional impairment loss was recognized in the current period.

Finance costs

Finance cost amounted to approximately RMB163,000 for the First Half 2023, as compared to the First Half 2022 which amounted to approximately RMB26,000. Such increase was mainly due to the interest on loans from a fellow subsidiary and the ultimate holding company.

Income tax expense

The income tax expense for the First Half 2023 was approximately RMB351,000, as compared to the First Half 2022 which amounted to approximately RMB97,000. Such increase was mainly due to individual subsidiaries turning losses into profits.

Loss for the period

Based on the foregoing, the loss for the First Half 2023 was approximately RMB10.5 million, as compared to the loss of approximately RMB35.2 million for the First Half 2022.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Cash and cash equivalents	<u>52,472</u>	<u>20,715</u>

The Group's total cash and cash equivalents increased to approximately RMB52.5 million as at 30 June 2023 from approximately RMB20.7 million as at 31 December 2022. Such increase was mainly due to the balance of the proceeds from the Placing under general mandate on 2 May 2023.

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"), US dollars ("USD"), and Japanese Yen ("JPY").

The Group did not have any bank borrowing balance as at 30 June 2023 and 31 December 2022. As at 30 June 2023, the Group's gearing ratio (calculated as loans from a fellow subsidiary and the ultimate holding company divided by total assets) was 7.0% (As at 31 December 2022: 14.3%). The borrowing requirements of the Group are not subject to seasonality.

MATERIAL ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENT

On 23 June 2023, the Company entered into a joint venture agreement with Infinities Technology (Cayman) Holding Limited (“**Infinities Cayman**”) to jointly establish a joint venture company to further explore the advertisement distribution services market in the People’s Republic of China. On the same day, Emperor Interactive Entertainment Development Company Limited (九尊互娛發展有限公司) (“**Emperor**”) entered into (i) an advertising traffic mutual supply agreement with Infinities Cayman in relation to the traffic procurement transactions and traffic supply transactions between Emperor and Infinities Cayman; and (ii) NGA exclusive franchise agreement with Infinities Cayman to govern the NGA franchise transactions between Infinities Cayman and Emperor. For details, please refer to the announcement of the Company dated 23 June 2023.

As at the date of this announcement, save as disclosed, there were no material acquisition and disposal or significant investment conducted by the Group.

CONTINGENT LIABILITIES

Reference was 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 an indirectly non-wholly owned subsidiary of the Company. Based on the progress of the proceeding to date, it is not possible to give a firm evaluation of the likelihood of the outcome or estimate the possible amount of loss, if any, and the Company believes that the outcome of such proceeding will have no material financial impact on the Group. No provision for disputed costs has been made in the consolidated financial statements.

As at the date of this announcement, save as disclosed, the Group did not have any significant unrecorded contingent liabilities.

HUMAN RESOURCES

As at 30 June 2023, the Group had a total of 83 employees, whom are based in Guangzhou, Beijing and Chengdu. Total staff costs were approximately RMB11.4 million for the First Half 2023. 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 provides customized and continuous on-the-job training to its new employees by experienced mentors from relevant teams or departments.

CHANGE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), change of directors’ information of the Company since the Company’s latest published annual report is as follows:

Mr. Choi Onward (“**Mr. Choi**”), the independent non-executive Director, the members of the audit committee (“**Audit Committee**”) and the remuneration committee (“**Remuneration Committee**”) of the Company, passed away on 12 June 2023.

Following the passing away of Mr. Choi, the Board comprises six Directors, including two executive Directors, two non-executive Directors and two independent non-executive Directors.

The Company currently does not meet (i) the minimum number of independent non-executive directors required under Rule 3.10(1) of the Listing Rules; and (ii) the minimum number of members in the audit committee required under Rule 3.21 of the Listing Rules. Meanwhile, the remuneration committee of the Company no longer comprise a majority of independent non-executive Directors as required under Rule 3.25 of the Listing Rules.

The Company is in the process of identifying a suitable candidate to fill the vacancy of the independent non-executive Director, the members of the Audit Committee and the Remuneration Committee in order to fulfill the requirements of the Listing Rules as soon as practicable and in any event within three months from the date of the pass away of Mr. Choi pursuant to Rules 3.11, 3.23 and 3.27 of the Listing Rules.

EVENT AFTER THE REPORTING PERIOD

The Group did not have any significant events after 30 June 2023 and up to the date of this announcement.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	142,787	43,197
Cost of sales		(119,140)	(42,325)
		<hr/>	<hr/>
Gross profit		23,647	872
Other income	4	1,902	792
Selling and distribution expenses		(4,724)	(257)
Administrative expenses		(14,534)	(9,033)
Research and development expenses		(12,189)	(5,495)
Impairment of trade receivables		(1,039)	(12,721)
Other expenses		(3,060)	(9,008)
Finance costs		(163)	(26)
Share of results of associates		(33)	(214)
		<hr/>	<hr/>
Loss before tax	5	(10,193)	(35,090)
Income tax expense	6	(351)	(97)
		<hr/>	<hr/>
Loss for the period		(10,544)	(35,187)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the parent		(10,416)	(33,664)
Non-controlling interests		(128)	(1,523)
		<hr/>	<hr/>
		(10,544)	(35,187)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share attributable to ordinary equity holders of the parent	8		
Basic and diluted		RMB(1.8) cents	RMB(6.2) cents
		<hr/> <hr/>	<hr/> <hr/>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period	(10,544)	(35,187)
Other comprehensive income/(loss)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	5,660	1,710
Other comprehensive loss 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>(2,471)</u>	<u>(3,966)</u>
Other comprehensive income/(loss) for the period	<u>3,189</u>	<u>(2,256)</u>
Total comprehensive loss for the period	<u>(7,355)</u>	<u>(37,443)</u>
Attributable to:		
Owners of the parent	(7,227)	(35,920)
Non-controlling interests	<u>(128)</u>	<u>(1,523)</u>
	<u>(7,355)</u>	<u>(37,443)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment		1,053	726
Right-of-use assets		2,144	590
Interests in associates		15,940	19,053
Equity investments designated at fair value through other comprehensive income		5,853	8,324
Prepayments and deposits		9,591	115
Total non-current assets		34,581	28,808
Current assets			
Trade receivables	9	79,544	26,725
Prepayments, deposits and other receivables		61,769	39,431
Cash and cash equivalents		52,472	20,715
Total current assets		193,785	86,871
Current liabilities			
Trade payables	10	50,311	22,121
Contract liabilities		5,275	2,368
Other payables and accruals		15,815	16,472
Lease liabilities		1,046	577
Tax payable		1,297	971
Loans from a fellow subsidiary		3,593	–
Loans from the ultimate holding company		3,981	–
Total current liabilities		81,318	42,509
Net current assets		112,467	44,362
Total assets less current liabilities		147,048	73,170

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2023	As at 31 December 2022
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Non-current liabilities		
Lease liabilities	1,212	100
Deferred tax liabilities	2,164	2,164
Loans from a fellow subsidiary	7,126	10,062
Loans from the ultimate holding company	1,375	6,497
	<u>11,877</u>	<u>18,823</u>
Total non-current liabilities	11,877	18,823
Net assets	135,171	54,347
EQUITY		
Equity attributable to owners of the parent		
Issued capital	5,528	4,946
Reserves	124,008	43,638
	<u>129,536</u>	<u>48,584</u>
Non-controlling interests	5,635	5,763
	<u>5,635</u>	<u>5,763</u>
Total equity	135,171	54,347

NOTES

1. CORPORATE AND GROUP INFORMATION

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.

During the period, the Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in the development and operation of mobile games, the distribution of digital media content and gaming products supply in China and overseas.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

The interim condensed consolidated financial information has 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 which have been measured at fair value. They are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any impact on the financial position or performance of the Group upon initial application.
- (d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in mobile game development and operation, digital media content distribution and gaming products supply in China and overseas. 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 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 China. Accordingly, no geographical information of non-current assets is presented.

Information about major customers

Revenue of gaming products supply approximately RMB33,426,000 was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer for the six months ended 30 June 2023.

No revenues from the Group's transactions with a single customer amounted to 10% or more of the Group's revenues for the six months ended 30 June 2022.

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Types of goods and services		
Mobile games		
— Development and operation	54,833	40,017
— Information services	6,865	240
Digital media		
— Content distribution	1,209	2,940
— Advertisement distribution services	19,095	–
— Subscription fee of AIGC mobile app	21,221	–
Gaming products supply	39,564	–
	<u>142,787</u>	<u>43,197</u>
Total revenue from contracts with customers	<u>142,787</u>	<u>43,197</u>
Geographical markets		
China	142,212	43,197
Others	575	–
	<u>142,787</u>	<u>43,197</u>
Total revenue from contracts with customers	<u>142,787</u>	<u>43,197</u>
Timing of revenue recognition		
Point in time (<i>note (a)</i>)	66,733	3,180
Over time (<i>note (b)</i>)	76,054	40,017
	<u>142,787</u>	<u>43,197</u>
Total revenue from contracts with customers	<u>142,787</u>	<u>43,197</u>

Notes:

- (a) Including revenue from gaming products supply, advertising distribution services, digital media content distribution and information services, for which the revenue is recognised at the point in time when control of the respective good or service is transferred to the customer.
- (b) Including revenue from (i) subscription fee of AIGC mobile app; and (ii) multi-player mobile games, which 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 players' accounts and all other revenue recognition criteria are met.

An analysis of other income is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Interest income	15	351
Government grants*	700	301
Others	1,187	140
	<u>1,902</u>	<u>792</u>

* Various government grants of approximately RMB700,000 were received by certain subsidiaries as these subsidiaries were qualified as High and New Technology Enterprises in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of sales	119,140	42,325
Depreciation of property, plant and equipment	484	97
Depreciation of right-of-use assets	412	253
Lease payments not included in the measurement of lease liabilities	1,271	89
Employee benefit expense (including directors' remuneration):		
Wages, salaries, bonuses and allowances	10,034	4,494
Pension scheme contributions	1,405	413
	<u>11,439</u>	<u>4,907</u>
Impairment/(reversal of impairment) of deposits and other receivables [#]	(26)	7,927
Write-off of items of property, plant and equipment [#]	-	24

[#] Included in "Other expenses" in the interim condensed 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 period, 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.

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — Mainland China		
Charge for the period	<u>351</u>	<u>97</u>

7. DIVIDENDS

The board of directors does not recommend the payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

The calculation of the basic loss per share for the period is based on the loss for the period attributable to ordinary equity holders of the parent of RMB10,416,000 (six months ended 30 June 2022: RMB33,664,000), and the weighted average number of ordinary shares of 568,205,693 (six months ended 30 June 2022: 546,000,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 and 2022.

9. TRADE RECEIVABLES

	As at	
	30 June 2023 <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
Trade receivables	119,509	65,651
Impairment	<u>(39,965)</u>	<u>(38,926)</u>
	<u>79,544</u>	<u>26,725</u>

The Group's trading terms with its trade debtors are on credit. The credit periods range from 30 to 90 days during the period. The Group seeks to maintain strict control over its outstanding trade 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	
	30 June 2023 <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
Within 30 days	24,507	7,075
31 to 60 days	20,312	1,466
61 to 90 days	7,040	1,182
91 to 180 days	9,212	435
181 to 365 days	2,962	1,145
Over 365 days	<u>15,511</u>	<u>15,422</u>
	<u>79,544</u>	<u>26,725</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	
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 month	11,622	9,472
1 to 2 months	13,164	3,412
2 to 3 months	6,223	357
Over 3 months	19,302	8,880
	<u>50,311</u>	<u>22,121</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 the First Half 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Use of Proceeds from Placing of New Shares under General Mandate

The net proceeds raised by the Company from placing of new shares (the “**Placing**”) under general mandate on 2 May 2023 are approximately RMB106.88 million (after deduction of the underwriting commissions in respect of the offering). As at 30 June 2023, the net proceeds from the Placing under general mandate were utilized in accordance with the intended purposes stated in the announcement of the Company dated 2 May 2023 (the “**Placing Announcement**”), with the balance amounted to approximately RMB37.06 million. The balance of the proceeds will continue to be utilized according to the manner and proportions as disclosed in such Placing Announcement.

As at 30 June 2023, the net proceeds from the Placing under general mandate had been applied as follows:

	Net amount available on 2 May 2023 <i>RMB million</i>	Actual net amount utilized as at 30 June 2023 <i>RMB million</i>	Unutilized net amount on 30 June 2023 <i>RMB million</i>	Expected timeline for utilising the remaining net proceeds (<i>Note</i>)
Research and development in the gaming products and AI products	31.80	22.64	9.16	By 30 June 2024
Expand the gaming sector	15.90	12.96	2.94	By 30 June 2024
Expand digital media sector	15.89	4.59	11.30	By 30 June 2024
Working capital and general corporate use	43.29	29.63	13.66	By 30 June 2024
Total	<u>106.88</u>	<u>69.82</u>	<u>37.06</u>	

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

Audit Committee

The Audit Committee currently has two members, being an independent non-executive Director, Mr. Leung Ming Shu (Chairman of Audit Committee) and a non-executive Director, Mr. Liang Junhua, with terms of reference in compliance with the Listing Rules.

The Audit Committee of the Company has reviewed with the Board about the accounting standards and practices adopted by the Group and the unaudited interim condensed consolidated financial information of the Company for the First Half 2023, and has discussed matters in relation to the internal control and risk management systems and financial reporting with the management.

Corporate Governance Code

The Company has committed to delivering and maintaining a higher standard of corporate governance to meet business needs and the expectation of the shareholders of the Company (the “**Shareholder(s)**”). The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules as the basis of the Company’s corporate governance principles and practices. The Company has complied with all the applicable code provisions of the CG Code during the First Half 2023.

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 the First Half 2023.

The Company’s employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code.

Publication of the Unaudited Condensed Consolidated Interim Results Announcement and Interim Report

This interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (<https://www.hkexnews.hk>) and the Company (<https://www.infinities.com.hk>). The interim report of the Company for the First Half 2023 containing all the information required by the Disclosure of Financial Information as set out in Appendix 16 to 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
Infinites Technology International (Cayman) Holding Limited
多牛科技國際(開曼)集團有限公司
WANG Le
Chairman

Hong Kong, 28 August 2023

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Wang Le and Mr. Chen Ying, two non-executive Directors namely Mr. Liang Junhua and Mr. Wang Ning and two independent non-executive Directors namely Mr. Leung Ming Shu and Mr. Tang Shun Lam.

* *For identification purposes only*