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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 2024**

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**”), collectively referred to as the “**Group**”) is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2024 (the “**Reporting Period**”). The interim results for the Reporting Period have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

#### **FINANCIAL SUMMARY**

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB’000</b>	<b>RMB’000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	<b>1,233,336</b>	1,535,444
(Loss)/profit for the period	<b>(241,051)</b>	50,995
(Loss)/profit for the period attributable to owners of the parent	<b>(236,220)</b>	56,824
<b>Adjusted net (loss)/profit<sup>(1)</sup></b>	<b>(208,036)</b>	76,168

*Note:*

1. “Adjusted net (loss)/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 more closely reflects the Group’s operating results, after excluding the above-mentioned non-operating item.

## BUSINESS REVIEW

Leveraging its advantages and accumulated experience in game publishing and open world research and development, and by integrating its own advantageous and promoting intellectual property (“IP”) resources, the Group focused on creating IP quality games, promoted excellent Chinese culture with quality content and continued placing efforts into global IP quality games, innovative mini games and self-developed games. For self-developed games, the Group has been engaging deeply with RPG games, strategic games and legendary games and advancing its proprietary IP operation of *Legend of Sword and Fairy* (仙劍奇俠傳) IP. *Legend of Sword and Fairy: World* (仙劍世界), the worldwide first open world and cross-platform game featuring Chinese fairy and hero theme, which was self-developed by the Group based on *Legend of Sword and Fairy* (仙劍奇俠傳) IPs is planned to launch in 2024.

As the launch of *Fights Break Firmament: Peak Confrontation* (斗破蒼穹：巔峰對決) and *Soul Land: Space and Time Reversal* (斗羅大陸：逆轉時空) was deferred from scheduled April 2024 to June 2024 and from the scheduled first half of 2024 to September 2024 respectively, and the Group’s self-developed game *Legend of Sword and Fairy: World* (仙劍世界) was in a testing stage during the Reporting Period, which could not generate revenue, the revenue of the Group was RMB1,233.3 million representing a period-on-period decrease of 19.7%. A net loss of RMB241.1 million was recorded for the Reporting Period. Such net loss was mainly attributable to the poor business performance of several companies the Group invested in, the Group therefore has recognised the corresponding impairment provisions and other non-operating expenses of RMB175.8 million in total; also recognised the impairment of non-operating financial assets of RMB62.9 million. Save as the impact of the non-operating impairment and other non-operating expenses mentioned above, the operating business of the Group has continued to generate profits during the Reporting Period. Through continuous integration and optimisation of resources as well as cost reduction and efficiency improvement, and since the Group has obtained licences for new games and a number of games will launch and generate revenue in the second half of 2024, the business performance of the Group on the second half of 2024 is expected to improve.

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

	For the six months ended 30 June	
	2024	2023
Average MAUs (thousands)	14,392	15,627
Average MPUs (thousands)	1,027	1,132
ARPPU (RMB)	200.2	226.1
Total new registered users (thousands)	47,297	48,683

## Global Publishing of IP Quality Games and Innovative Mini Games

### Publishing of IP Quality Game in Mainland China

The mobile game *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院), adapted from the novel and animation of *Soul Land* (斗羅大陸), was published jointly by the Group and Tanwan.com (貪玩遊戲) on 31 January 2024. Before the game was launched, the number of user reservations exceeded 6 million and it ranked first in the Top Free Game List, and 24th in the Best Selling List of Apple’s App Store and the first in the TapTap’s Popular List during the first month of its launch. The game was rated as the Best Chinese Animation IP Game of 2024 by the Huawei Developer Conference and has recorded gross billing of over RMB100 million in the first month of its launch, showing the great popularity of this IP and the consumption potential of users.

The mobile game *Fights Break Firmament: Peak Confrontation* (斗破蒼穹:巔峰對決), adapted from the novel and animation of *Fights Break Firmament* (斗破蒼穹), which was developed by Shenzhen EZfun Interactive Technology Co., Ltd., which the Group invested in, was officially launched in Mainland China in June 2024. Before the game was launched, the number of reservations on all major platforms exceeded 6 million, and it ranked second on the Top Free Game List and ranked 30th on the Best Selling Game List of Apple’s App Store during the first month of its launch, and received Mobile Hardcore Alliance’s Super Star Recommendation.

## **Mainland China Publishing of Innovative Mini Games**

The Group continues to actively expand the mini-game segment. In the first half of 2024, the Group's new mini-game product *Smash* (消個錘子) has surged to the 32nd place on the Best Selling List of WeGame since its launch, ranked first among tower defence and match-three games. The excellent game performance also proves that players are interested in *Smash* (消個錘子). In addition to the existing channel on WeChat, *Smash* (消個錘子) will be expanded to more Mainland China channels including Huawei AppGallery and other overseas channels in Hong Kong, Macau and Taiwan, Singapore and Malaysia in the future to reach a wider user group. Various new gameplay elements will be introduced continuously, bringing new experiences for more user groups and further increase market share. Another mini-game *My Lord, Don't Run* (主公別跑), published by the Group, also recorded an excellent performance in gross billing exceeding RMB10 million for months during the Reporting Period.

## **Overseas Publishing of Games**

The role playing card game, *Legend of Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), which was developed based on the Group's proprietary IP, *Legend of Sword and Fairy* (仙劍奇俠傳), has been launched in Hong Kong, Macau and Taiwan in December 2023. In the first month of its launch, it ranked first in the Top Free Game List of Apple's App Store in Hong Kong, Macau and Taiwan, ranked first in the Best Selling Game List of Apple's App Store in Hong Kong and Macau and ranked third in the Best Selling Game List of Apple's App Store in Taiwan. For the six months ended 30 June 2024, the Group has recorded business revenue from global of RMB176.4 million, representing a period-on-period increase of 41.5% and accounted for 14.3% of the Group's revenue.

## **Long-term Operation of Games**

Several IP quality games which were launched and operated by the Group such as *Legend of Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心), *One Piece: The Voyage* (航海王熱血航線), *Dynasty Warriors: Hegemony* (真·三國無雙霸) and *One Piece: the Road of the Strong* (航海王強者之路) along with published innovative mini games such as *Battle of Ling Xiao* (凌霄戰紀) and *The National Gunlord – The Frontier* (全民槍神:邊境王者), kept contributing to the revenue and profits of the Group in 2024. For the six months ended 30 June 2024, the Group recorded game publishing revenue of RMB999.9 million.

## **Self-Development of Games**

Serving as a vital component of core competitiveness grinded by the Group, the Group's revenue from game development is RMB126.3 million for the six months ended 30 June 2024, and the investment in research and development was RMB110.2 million during the Reporting Period. With the application of innovative artificial intelligence generated content (“AIGC”) technology on game development, the Group has effectively reduced and controlled the relevant cost and improved efficiency in 2024.

## **The Worldwide First Open-World and Cross-Platform Game Featuring Chinese Fairy and Hero Theme – *Legend of Sword and Fairy: World***

*Legend of Sword and Fairy: World* (仙劍世界), the worldwide first open-world and cross-platform game featuring Chinese fairy and hero theme which was self-developed by the Group's Mantianxing Studio (滿天星工作室) based on *Legend of Sword and Fairy* (仙劍奇俠傳) IP, has been refined for more than three years and obtained licences of PC-end and mobile in June 2023.

The producers and core developing personnel of *Legend of Sword and Fairy: World* (仙劍世界) have extensive experience in the research and development of games. They have participated in the game research and development of *The Journey* (征途), and also led the research and development of *The Giant* (巨人), *Fairy and Hero World* (仙俠世界) series and mobile game *Dragon Ball: The Greatest Battle* (龍珠最強之戰), and therefore are equipped with a unique perspective on design and development and quality control of high-quality games. The team has integrated their previous successful experience into the development process of the *Legend of Sword and Fairy: World* (仙劍世界), bringing magnificent visual quality and effects for players' amazing experience.

*Legend of Sword and Fairy: World* (仙劍世界), a new great game of *Legend of Sword and Fairy* (仙劍) IP series, extended the legacy of *Legend of Sword and Fairy* (仙劍) regarding its story and plot. Under the 33-year worldview of *Legend of Sword and Fairy* (仙劍), *Legend of Sword and Fairy: World* (仙劍世界) created a perfect and open world and owned 384 square kilometres that consisted of a romantic and beautiful Jiangnan scene, majestic Shushan, mysterious Miao and other areas. It has blended Chinese traditional culture symbol into the game. A gorgeous view of Jiangnan and the unique natural wonders of Yuhang Town were unveiled in the game. The Suzhou Pingtan (蘇州評彈) with a long history reappeared in the most classical plot of *Legend of Sword and Fairy* (仙劍) within the game in musical form of intangible cultural heritage. The time-honoured Chinese history culture perfectly matched the game *Legend of Sword and Fairy: World* (仙劍世界). As Chinese domestic games have currently achieved huge success globally, the Group is hoping to further demonstrate the charm of diversified Chinese games to the whole world.

*Legend of Sword and Fairy: World* (仙劍世界) is currently opens for reservation with the number of user reservations close to 5 million and has been rated as the "Most Anticipated Game" (最受期待遊戲) of 2024 several times. It has undergone the third paid and unsaved test, i.e. Fengqi Test (風啟測試), with outstanding performance in test data. The project is scheduled to commence the fourth test, which is the final test, and plans for an official launch in 2024.

## **Deepening Research and Development of Strategic Games**

The dynasty-themed strategic mobile game *World of Castellan* (城主天下) was self-developed by 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. *World of Castellan* (城主天下) adopted the unique art style of Chinese cartoon image paper-cutting and was exclusively published by 37 Interactive Entertainment (三七互娛) in the Mainland China market. The game had not been promoted on a large scale as it was still in refinement stage during the Reporting Period. It is expected to complete its refinements and scale up its marketing and promotion in the second half of 2024.

## **Continuously Creating Legendary Games**

Following the self-developed legendary game by Wenmai Hudong, *The World of Legend - Thunder Empire* (傳奇世界之雷霆霸業) which was developed by Wenmai Hudong, which has recorded a monthly peak gross billing in a single month of over RMB200 million, another self-developed legendary category game *Code: Dark Night Legend* (代號：暗夜傳奇) by Wenmai Hudong also finished its research and development during the Reporting Period, and is about to commence test prior to its launch. The gameplay of the latter is in line with the previous successful game *The World of Legend - Thunder Empire* (傳奇世界之雷霆霸業), which is planned to be launched in 2024.

## **Large-scale Application of Artificial Intelligence Generated Content (“AIGC”)**

To effectively and comprehensively reduce costs and increase efficiency in game research and development, innovative AIGC technologies has been applied in the art creation and copy writing of the games. In terms of technology application, a number of technologies were applied to fully improve authenticity of the game environment and intensify perception of virtual world. AIGC technologies were largely applied on non-player characters (“NPC”) character shaping, and the team designed an event-oriented AI decision-making framework that can quickly generate NPC behavior. Intelligent NPC will make a corresponding behavior and conversation according to natural environment, forming a natural and real social ecology and improving the authenticity of the virtual world. These innovative technologies have successfully achieved cost reduction and efficiency improvement during the game research and development, which provided significant help to effectively ensure the development and testing progress of the game.

## ***Legend of Sword and Fairy* (仙劍奇俠傳) IP Operation**

In the first half of 2024, revenue derived from the Group's IP licensing amounted to approximately RMB107.1 million, representing a period-on-period increase of 79.0%.

In terms of films and television, the television series, *Legend of Sword and Fairy 4* (仙劍四), which was co-produced by the Group and iQiyi (愛奇藝), was officially broadcasted on iQiyi (愛奇藝) in January 2024. Meanwhile, the films and television series of *Sword and Fairy: Qi Jinzhao* (祈今朝), adapted from *Legend of Sword and Fairy 6* (仙劍奇俠傳六) and filmed by Shandong Film and Television Production Co., Ltd. (山東影視製作股份有限公司), the producer of popular television dramas such as *Nirvana in Fire* (琅琊榜) and *The Disguiser* (偽裝者), was officially broadcasted on Tencent Video in January 2024. These two television series of *Legend of Sword and Fairy* (仙劍) IP were successively broadcasted during the Chinese New Year and have captured great attention from the audience. The television series of *Sword and Fairy: Youjian Xiaoyao* (又見逍遙), adapted from *Legend of Sword and Fairy 1* (仙劍奇俠傳一), which were jointly produced by the Group and Tencent Video (騰訊影視), have been released in April 2024 and gained an excellent reputation. The production of the interactive video works based on the *Legend of Sword and Fairy* (仙劍奇俠傳) IP initiated by the Group together with Qishuyouyu Culture Media Co., Ltd. (奇樹有魚文化傳媒有限公司), Guangzhou HippoJoy Game Technology Co., Ltd. (廣州河馬遊戲科技有限公司) and Guangzhou INTINY Content Interactive Entertainment Co., Ltd. (廣州小有內容互動娛樂有限公司) has officially kick-started in November 2023.

For the development of *Legend of Sword and Fairy* (仙劍) IP in animation, the Group has strategically cooperated with Tencent Video (騰訊影視) to jointly produce 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). The trailer of the animation series of *Legend of Sword and Fairy 3* (仙劍奇俠傳三) was released in 2023. The animated series are scheduled for release in 2025. The production of animation series of *Legend of Sword and Fairy 4* (仙劍奇俠傳四), which are jointly made by the Group and Bilibili, was kick-started.

For the derivatives development of *Legend of Sword and Fairy* (仙劍) IP, the Group continued its collaboration with Pop Mart (泡泡瑪特) and launched blind boxes series The Legend of Sword and Fairy Chinese Traditional Festival Figures Series (仙劍奇俠傳中國傳統節日系列手辦) and The Legend of Sword and Fairy Chinese Traditional Musical Instrument Figures Series (仙劍奇俠傳中國傳統樂器系列手辦) for global sale. Meanwhile, the Group collaborated with 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), APEX-TOYS under Apex Cultural Technological Development Co., Ltd (上海湃思文化科技發展有限公司), Myethos under Myethos (Hangzhou) Culture Media Co., Ltd. (彌索(杭州)文化傳媒有限公司), TriEagles under Shanghai Yibingzai Animation Co., Limited (上海懌稟仔動漫有限公司), Suplay Toys under Beijing Suplay Technology Co., Ltd. (北京超級玩咖科技有限公司) and other well-known partners to jointly launch products in 2024, including pop beans series of *Legend of Sword and Fairy* (仙劍), Gift + series figures, figure of A Nu (阿奴), statue of Zhao Linger (趙靈兒), statue of Lin Yueru (林月如) and other figures, which gained support from consumers.

In July 2024, the Group successfully held the 29th anniversary celebration of *Legend of Sword and Fairy* (仙劍奇俠傳), and held relevant offline events in Hangzhou, Zhejiang Province, Changzhou, Jiangsu Province and Chongqing to celebrate with players in various forms of activities, including concerts, live-action murder mystery games, float parades, fireworks celebrations, *Legend of Sword and Fairy* (仙劍) inn-themed pop-up stores, etc. The real scene projects of *Legend of Sword and Fairy* (仙劍) have started operations in Chongqing in 2023, and would start operations in Hangzhou, Zhejiang Province and Changzhou, Jiangsu Province in July 2024. The projects in Shanghai and Suzhou are in final preparation and will provide fans of *Legend of Sword and Fairy* (仙劍) with a more immersive, interactive, interesting and rich offline experience.

In the first half of 2024, the Group and Guangzhou Chaojing Investment Co., Ltd. (廣州超競投資有限公司) (“**Chaojing Group**”) officially reached a strategic cooperation. Chaojing Group uses the talent resources of its EDG eSports club and two MCN organisations, Shanghai Zhongwo Culture Communication Co., Ltd. (上海眾沃文化傳播有限公司) and Shanghai Chaohuiyuan Culture Co., Ltd. (上海超會元文化有限公司), and procuring Hopson Commercial Co., Ltd. (合生商業有限公司) (“**Hopson Commercial**”), an affiliated company, to leverage its offline business forms such as commercial complexes, hotels and apartments. Chaojing Group will support the Group in IP game publishing and exploring an online + offline, innovative and cross-border business model, which will bring more players to the Group at low cost and enhance player base. *Legend of Sword and Fairy: World* (仙劍世界) is teaming up with Hopson One (合生匯) under Hopson Commercial, to plan a series of activities to cultivate and set up offline consumption groups for *Legend of Sword and Fairy: World* (仙劍世界). Both parties jointly promote a series of creative events in Hopson One (合生匯) to enhance players’ immersion, driving customer activation within the mall, deepening emotional connection with customers, and strengthening brand awareness. For the commercial cooperation of *Legend of Sword and Fairy* (仙劍奇俠傳), a proprietary IP of the Group, both parties will jointly promote commercial licensing and cooperation in related businesses such as fast moving consumer goods, cultural tourism, pop-up stores, personal care and beauty, theme parks, theme catering hotels, etc., further exerting the influence of *Legend of Sword and Fairy* (仙劍) IP and exploring its commercial value.



## Awards and Recognition

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

<b>Award/Recognition</b>	<b>Date of Award</b>	<b>Awarding Institution/Authority</b>
2024 Innovative Application Award under Golden i Award (金i獎2024年度創新應用獎)	June 2024	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)
Most Anticipated Game of 2024 (2024年度最受期待遊戲) Legend of Sword and Fairy: World (仙劍世界)	June 2024	Huawei Developer Conference (華為開發者大會)
Best Chinese Animation IP Game of 2024 (2024年度最佳國漫IP遊戲) Soul Land: Shrek Academy (斗羅大陸:史萊克學院)	June 2024	Huawei Developer Conference (華為開發者大會)
Top10 Excellent and Leading Game Enterprise (強基領航遊戲企業Top10)	July 2024	CGDC China Game Market Data Insight Forum (CGDC中國遊戲市場數據洞察論壇)
White Horse Award for 2024 Chinese Game Enterprises (2024年度中國遊戲企業白馬獎)	July 2024	CGDC China Game Market Data Insight Forum (CGDC中國遊戲市場數據洞察論壇)
Mobile Hardcore Alliance Annual Best Partner in The 8th Black Stone Awards (第八屆黑石獎硬核年度最佳合作夥伴公司)	July 2024	Mobile Hardcore Alliance (硬核聯盟)
Mobile Hardcore Alliance Most Anticipated Game of the Year in The 8th Black Stone Awards (第八屆黑石獎硬核年度最受期待遊戲) Legend of Sword and Fairy: World (仙劍世界)	July 2024	Mobile Hardcore Alliance (硬核聯盟)

## **Social Responsibility**

The Group has always fulfilled its social responsibility in different dimensions. The Group has been actively involved in social welfare development, with a particular focus on the healthy learning and growth of youth. The Group has successively collaborated with China Population Welfare Foundation (中國人口福利基金會) and Lingshan Foundation (靈山基金會), and supported the “CMGE Dream Libraries (中手游築夢圖書館)” project for a long time to promote reading among the youth and the operation of this project has been under steady implementation. Twelve “CMGE Dream Libraries (中手游築夢圖書館)” have been constructed since 2017. The Group was also selected as the “Corporate with Outstanding Performance on Corporate Social Responsibility (社會責任表現突出的企業)” in the 2023 China Gaming Corporate Social Responsibility Report released by Gamma Data, and has been awarded with the “2023 Social Responsibility Award (2023年度社會責任獎)” by the Department of Culture and Tourism of Guangdong Province (廣東省文化和旅遊廳) and Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會).

The Group is dedicated to fulfilling its social responsibility through diversified forms, including actively promoting industry self-regulation, purifying the cyber environment and ensuring the healthy growth of minors. The Group has successively participated in the research and development of four standards, namely, “Online Game Terminology (網絡遊戲術語)” Group Standards, “Game Age-Appropriate Prompt Specification (遊戲適齡提示規範)”, “Game Enterprise Content Self-assessment Process Specification (遊戲企業內容自審流程規範)” and “Parental Monitoring Platform Specification (家長監護平台規範)” contributing its own efforts to the advancement and implementation of the industry standardisation. The Group strictly follows relevant national regulations. All published games are embedded with real-name authentication, anti-addiction system and age limit reminders to ensure the healthy growth of minors. In the first half of 2024, minor players under the age of 18 accounted for less than 0.01% of the Group’s revenue from games in China.

## **OUTLOOK FOR THE SECOND HALF OF 2024**

### **Global Publishing of IP Quality Games and Innovative Mini Games**

#### **Publishing of IP Quality Games in Mainland China**

*Soul Land: Space and Time Reversal* (斗羅大陸:逆轉時空), which is developed based on the *Soul Land* (斗羅大陸) IP by Love Games (Shanghai) Internet Technology Co., Ltd. (樂府互娛(上海)網絡科技有限公司) (“**Love Games**”), a developer which the Group has invested in, was scheduled to be launched in Mainland China in September 2024. *Soul Land: Space and Time Reversal* (斗羅大陸:逆轉時空) opened for player reservation prior to its launch in February 2024, and an online beta test for the monetisation ability of the product was initiated in August 2024 to ensure a smooth progress of the commercial operation of the game. *Soul Land: Space and Time Reversal* (斗羅大陸:逆轉時空), a mobile game with card-based RPG gameplay, is a high-quality game built by Love Games at a cost of RMB200 million, using frame-by-frame hand-drawing to present exquisite game interface and gorgeous full-character animation interpretation, making ultra-high-quality art as the huge selling point for the game. It maximises player base by supporting auto-battle technology which is friendly to casual players. At the same time, its unique dual-form card design not only injects more strategic elements into the battle, but also elevates the diversity of the game to a new height, satisfying players’ infinite desire to explore the game.

The RPG mobile game *Daily Life of Chat Group* (聊天群的日常生活), adapted from the best-selling novel *Cultivation Chat Group* (修真聊天群) written by the famous writer of *The Legend of the Paladin* (聖騎士的傳說) from Qidian Reading (起點讀書) under China Literature Limited (閱文集團), created a feast for young players on exploration, discovery and endless laughter. It has already obtained licence and opened for player reservation in April 2024 prior to its planned launch in 2024, inviting players to embark on a hilarious and unique spiritual journey and experience a wonderful exploration journey. The *Daily Life of Chat Group* (聊天群的日常生活) skillfully combines modern urban life with the oriental culture of cultivating truth, creating a humorous and imaginative game world. The game is designed with six unique and classic maps that can be gradually unlocked by players in a way of following the subway lines in their daily game lives, including the Luoxin Block (羅信街區), Ghost Temple (鬼燈寺) and Baiyun City (白雲城), with a more dramatic plot than a film. Combined with these bizarre and hilarious plot twists, the game provides players with an unprecedented hilarious urban truth-cultivation experience and an enjoyable absurd humor.

With the official authorisation by the Animation Committee of Naruto (火影忍者), the Group's exclusive idle card mobile game, *Naruto: Konoha Masters* (火影忍者:木葉高手), has successfully obtained licence and opened for player reservation in August 2024 prior to its planned launch in 2024. *Naruto: Konoha Masters* (火影忍者:木葉高手) is the second adapted mobile game launched by the Group based on the *Naruto* (火影忍者) IP after *Naruto: Ninja Master* (火影忍者:忍者大師). *Naruto: Konoha Masters* (火影忍者:木葉高手) inherits the classic card playing method of its predecessor, which is easy to operate and play. The game contains competitive challenges, ninja confrontation, survival exploration, daily practice and other gameplay that will give players a rich gaming experience.

Licensed by Koei Tecmo, a brand new tactical role-playing game *New Romance of the Three Kingdoms: The Legend of Cao Cao* (新三國志曹操傳), as an adaptation of the classic and stand-alone tactical role-playing game *Three Kingdoms: The Legend of Cao Cao* (三國志曹操傳), has obtained its license in February 2024 and began its first paid test in August 2024. It is planned to launch during 2025 Chinese New Year. The game combines classic tactical gameplay with innovative card mechanics. While being true to the original version, "Climate" and "Geography" achievements have been applied for weather change and battlefield control. Making good use of favorable climate and geographical advantages with the soldiers is a compulsory course that players need to discreetly consider in a battle. Facing the ever-changing battlefield, the player will be skillful and schemeful towards winning.

## **Mainland China Publishing of Innovative Mini Games**

Since 2023, mini games have experienced an explosive growth, a rare new track of incremental growth in the current existing market ecology. According to the data released by Ocean Engine, the overall market size of mini games in China has reached more than RMB40 billion in 2023 and might exceed RMB60 billion in 2024. According to official data from Tencent, the overlap of paying users between the mini games and the original mobile games on the market is only 35%, which means that there is not much overlap between paying users of mini games and paying users of traditional mobile games. The innovative mini games are expected to bring more new users for the game industry and become the new growth point of the Group's business. In the first half of 2024, the Group seized its own publishing advantage to launch new games such as *Smash* (消個錘子), which was released in Hong Kong, Macau and Taiwan, and *My Lord, Don't Run* (主公別跑) after the *Battle of Ling Xiao* (凌霄戰紀) and *The National Gunlord – The Frontier* (全民槍神:邊境王者) and other mini games publication. In 2024, the Group planned to further enhance the game publishing segment of mini games by continuing to launch a number of mini game products, including *Country Love: Business Life* (鄉村愛情之經營人生), *Chunqiu Mystery* (春秋玄奇) and *Sanqian Huanshi* (三千幻世).

## **Overseas Publishing of Games**

In Hong Kong, Macau, Taiwan and overseas markets, the mobile game *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院), which has been a knockout success in Mainland China, launched in Hong Kong, Macau and Taiwan on 22 August 2024. Angela Zhang (張韶涵), the original singer of theme song Break Through (破繭) of the animation *Soul Land* (斗羅大陸) with nicknamed "Auroras", played as the celebrity endorser of such game. During the first week of the launch of *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院), it ranked first in the Top Free Game List of Apple's App Store in Hong Kong, Macau and Taiwan, ranked 4th in the Best Selling Game List of Apple's App Store in Hong Kong and 7th in the Best Selling Game List of Apple's App Store in Taiwan. It gained priority publication in the Apple's App Store in Taiwan and won the recommendation of the date. The Google Store in Hong Kong, Macau and Taiwan also recommended the game on the first page on the day of its launch. Meanwhile, the Group plans to launch games in the second half of 2024, including the launch of *Code: FA* (代號:FA) and *Smash* (消個錘子) in Hong Kong, Macau and Taiwan, and the mobile game *Dynasty Warriors: Hegemony* (真·三國無雙霸) in Japan.

## **Self-Development of Games**

*Legend of Sword and Fairy: World* (仙劍世界), China's first open-world game featuring Chinese fairy and hero theme and was self-developed by the Group's Mantianxing Studio (滿天星工作室) based on *Legend of Sword and Fairy* (仙劍奇俠傳) IP, will commence the fourth test and will proceed to official launch in full speed in 2024, eventually reaping the harvest. *Legend of Sword and Fairy: world* (仙劍世界) will be welcoming the harvest period. According to the Group's statistics, the number of player reservation for *Legend of Sword and Fairy: World* (仙劍世界) is expected to exceed 10 million prior to its launch.

The dynasty-themed strategic mobile game *World of Castellan* (城主天下) is expected to complete refinements and scale up its marketing and promotion in the second half of 2024. A new self-developed legendary category game *Code: Dark Night Legend* (代號:暗夜傳奇) by Wenmai Hudong also finished its research and development during the Reporting Period, and is about to commence test prior to its launch in the second half of 2024. The gameplay of the latter is in line with the previous successful game *The World of Legend - Thunder Empire* (傳奇世界之雷霆霸業), and is planned to be launched in 2024.

## ***Legend of Sword and Fairy* (仙劍奇俠傳) IP Operation**

The serial literary works of *Legend of Sword and Fairy 2* (仙劍奇俠傳二), adapted from *Legend of Sword and Fairy* (仙劍奇俠傳), was published by CITIC Press in June 2024. The text version of *Legend of Sword and Fairy 1* (仙劍奇俠傳一) will be published in the second half of 2024. *Legend of Sword and Fairy 5* (仙劍奇俠傳五), *Prequel of Legend of Sword and Fairy 5* (仙劍奇俠傳五前傳), *Legend of Sword and Fairy 3* (仙劍奇俠傳三), *Legend of Sword and Fairy 3 Gaiden* (仙劍奇俠傳三外傳) and *Legend of Sword and Fairy 6* (仙劍奇俠傳六) and two official original derivative works *Yao Tai Xue* (瑤台雪) and *Qiong Hua Hou Zhuan* (瓊華後傳), all of which are in creation stages, will also be released successively in 2024 and 2025.

The *Legend of Sword and Fairy* (仙劍) Real Scene Project started operation in Chongqing in December 2023 and in Hangzhou, Zhejiang Province and Changzhou, Jiangsu Province in July 2024. The project in Suzhou, Shanghai is under final preparation, which will present a more immersive, interactive and interesting offline experience for *Legend of Sword and Fairy* (仙劍) fans.

Through the Group's efforts over the years, the *Legend of Sword and Fairy* (仙劍) IP Matrix has now covered games, comics, literature, content experience, real-scene entertainment, movies, animation, music, virtual idols, derivative products and other fields. Focusing on the future, the Group will create more high-quality content, reach young consumers who are interested in *Legend of Sword and Fairy* (仙劍) IP and Chinese-style elements by various means, and 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. With the joining of Chaojing Group (超競集團), *Legend of Sword and Fairy's* (仙劍) business development in IP operation services, theme format planning and implementation, derivative design and research and development are expected to accelerate, and both parties will help each other in the IP industry chain with close integration and mutual benefits.

The Group will continue to extend the development strategy of “global publishing of IP quality games and innovative mini games + self-development” and adhere to the proprietary IP operation of *Legend of Sword and Fairy* (仙劍奇俠傳) IP, focusing on improving the core competitiveness of the Group in the game industry and striving to be a prominent game company with a long-term growth. All members of the Group will always uphold the values of “integrity, transparency, honesty, in-depth thinking and long-termism (正直守信、透明坦誠、深度思考、長期主義)” and the mission of “creating quality products with passion (用熱愛鑄造精品)”, being a company that is full of passion and creativity! The Group will promote China's wonderful traditional culture and socialist values, becoming a responsible practitioner and a promoter of cultural values.

The Company would like to thank all shareholders and investors for your consistent support as always!

## 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 2024 together with unaudited comparative figures for the six months ended 30 June 2023:

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	<b>1,233,336</b>	1,535,444
Cost of sales	<u>(860,572)</u>	<u>(1,019,249)</u>
<b>Gross profit</b>	<b>372,764</b>	516,195
Other income and gains, net	<b>4,631</b>	69,573
Selling and distribution expenses	<b>(148,554)</b>	(120,324)
Administrative expenses	<b>(192,430)</b>	(351,732)
Impairment losses on financial assets, net	<b>(62,859)</b>	(35,114)
Other expenses	<b>(175,830)</b>	(35,674)
Finance costs	<b>(11,109)</b>	(9,859)
Share of losses of a joint venture	<b>—</b>	—
Share of profits and losses of associates	<b>2,780</b>	9,507
	<u>(210,607)</u>	42,572
<b>(Loss)/profit before tax</b>	<b>(210,607)</b>	42,572
Income tax (expense)/credit	<b>(30,444)</b>	8,423
	<u>(241,051)</u>	<u>50,995</u>
<b>(Loss)/profit for the period</b>	<b>(241,051)</b>	50,995
Attributable to:		
Owners of the parent	<b>(236,220)</b>	56,824
Non-controlling interests	<b>(4,831)</b>	(5,829)
	<u>(241,051)</u>	<u>50,995</u>
<b>Adjusted net (loss)/profit</b>	<b>(208,036)</b>	76,168



## 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	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to owners of the parent	(236,220)	56,824
<i>Add:</i>		
Equity-settled share-based expense	<u>28,184</u>	<u>19,344</u>
<b>Adjusted net (loss)/profit</b>	<b><u>(208,036)</u></b>	<b><u>76,168</u></b>

## 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			
	2024		2023	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Game publishing	999,925	81.1	1,217,004	79.3
Game development	126,330	10.2	258,634	16.8
IP licensing	107,081	8.7	59,806	3.9
<b>Total</b>	<b><u>1,233,336</u></b>	<b><u>100.0</u></b>	<b><u>1,535,444</u></b>	<b><u>100.0</u></b>

The Group's revenue decreased by approximately 19.7% from RMB1,535.4 million for the six months ended 30 June 2023 to RMB1,233.3 million for the six months ended 30 June 2024. The decrease in revenue was primarily attributable to:

- (i) The Group's game publishing revenue decreased by 17.8% from RMB1,217.0 million for the six months ended 30 June 2023 to RMB999.9 million for the six months ended 30 June 2024. During the Reporting Period, the new game *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院) launched by the Group has achieved very impressive result in Mainland China. Meanwhile, the Group's publication of *Legend of Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) achieved a positive revenue in Hong Kong, Macau, and Taiwan. During the Reporting Period, the several new mini-game products including *Smash* (消個錘子) which were launched by the Group and well regarded by players, together with the mini-game products which had already been launched in the past, including the *Battle of Ling Xiao* (凌霄戰紀) and *The National Gunlord – The Frontier* (全民槍神:邊境王者), generated substantial revenue for the Group. However, several games, such as *One Piece: The Voyage* (航海王熱血航線) and *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心), have been released for more than two years and the revenue capacity of these games has declined; and the Group's newly released game, *Fights Break Firmament: Peak Confrontation* (斗破蒼穹:巔峰對決), was released in June 2024, which is on the market for a very short period of time during the Reporting Period; the above reasons have led to the decline in game publishing revenue;
- (ii) The Group's game development revenue decreased by 51.2% from RMB258.6 million for the six months ended 30 June 2023 to RMB126.3 million for the six months ended 30 June 2024. The strategic mobile game *World of Castellan* (城主天下), self-developed by Wenmai Hudong, a wholly-owned subsidiary of the Group, has been launched in October 2023 and was still in the stage of gathering users during the Reporting Period and was not able to generate a substantial amount of revenue immediately; and several games developed by Wenmai Hudong, such as *The World of Legend - Thunder Empire* (傳奇世界之雷霆霸業) and *Legend of Dragon City* (龍城傳奇), had entered the later stages of their lifecycles, and the revenue capacity of these games continued to decline; and there were no other self-developed games launched during the Reporting Period, resulting in a decrease in game development revenue; and
- (iii) The Group's IP licensing revenue increased by 79.0% from RMB59.8 million for the six months ended 30 June 2023 to RMB107.1 million for the six months ended 30 June 2024. IP licensing revenue was primarily derived from the licensing corporation business related to the *Legend of Sword and Fairy* (仙劍奇俠傳) IP and the game *Street Basketball* (全民街籃) of the Group.

## Cost of sales

The Group's cost of sales consists primarily of (i) commissions charged by channels and CPs; (ii) amortisation of royalties from games and IPs held by third-party game developers and the Group; and (iii) commissions charged by IP owners. 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			
	2024		2023	
	<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 and CPs	<b>683,585</b>	<b>55.4</b>	827,683	53.9
Commissions charged by IP owners	<b>67,417</b>	<b>5.5</b>	46,372	3.0
Amortisation of IP royalties	<b>51,709</b>	<b>4.2</b>	35,715	2.3
Amortisation of game royalties	<b>22,925</b>	<b>1.9</b>	12,323	0.8
Others	<b>34,936</b>	<b>2.8</b>	97,156	6.4
<b>Total</b>	<b>860,572</b>	<b>69.8</b>	<b>1,019,249</b>	<b>66.4</b>

The Group's cost of sales decreased by approximately 15.6% from RMB1,019.2 million for the six months ended 30 June 2023 to RMB860.6 million for the six months ended 30 June 2024. The decrease in cost of sale was primarily attributable to: (i) the decrease in the Group's overall game publishing and game development revenue has led to a corresponding decrease in commissions charged by corresponding channels and CPs; (ii) the revenue of the Group in the first half of 2023 was mainly generated from *Legend of Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), which is an IP game of the Group's proprietary IP and no commissions were required to pay to IP owners; and the commissions charged by IP owners increased as compared to the same period of the last year as the majority of the IP games the Group published in the first half of 2024 were non-proprietary IP games; and (iii) during the Reporting Period, the licensing contracts relating to various IPs and the developer contracts of several games of the Group expired, the amortisation of IP royalties and game royalties has increased.

## Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by 27.8% from RMB516.2 million for the six months ended 30 June 2023 to RMB372.8 million for the six months ended 30 June 2024. The Group's gross profit margin decreased from 33.6% for the six months ended 30 June 2023 to 30.2% for the six months ended 30 June 2024. The decrease in gross profit margin was mainly due to a fall in the Group's game development revenue during the Reporting Period, and many self-developed games were published by the third-party channels, resulting in a rising channel cost for game development income.

### Other income and gains, net

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			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Bank interest income	1,047	22.6	970	1.4
Income-related				
government grants	2,171	46.9	11,848	17.0
Fair value gains on financial				
assets at fair value				
through profit or loss	—	—	27,769	39.9
Dividend income				
from investments	—	—	7,561	10.9
Foreign exchange gains	—	—	7,088	10.2
Others	1,413	30.5	14,337	20.6
<b>Total</b>	<b>4,631</b>	<b>100.0</b>	<b>69,573</b>	<b>100.0</b>

The Group's other income and gains decreased by approximately 93.3% from RMB69.6 million for the six months ended 30 June 2023 to RMB4.6 million for the six months ended 30 June 2024. The decrease was primarily attributable to (i) the revenue of certain investee companies of the Group in Mainland China did not meet expectations, and therefore net fair value gains on financial assets at fair value through profit or loss have not been recorded; (ii) the decrease of government grants obtained by the Group during the Reporting Period; and (iii) no gains from investment dividends and foreign exchange were recorded during the Reporting Period.

## 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			
	2024		2023	
	<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	136,027	11.0	100,988	6.5
Salaries and benefits	11,044	0.9	13,304	0.9
Office costs and utilities	629	0.0	3,008	0.2
Others	854	0.1	3,024	0.2
<b>Total</b>	<b>148,554</b>	<b>12.0</b>	<b>120,324</b>	<b>7.8</b>

The Group's selling and distribution expenses increased by 23.5% from RMB120.3 million for the six months ended 30 June 2023 to RMB148.6 million for the six months ended 30 June 2024. The Group actively controlled the costs of sales personnel and promoted cost reduction and efficiency improvement, so the salaries and welfare expenses and the office costs decreased. The overall increase in selling and distribution expenses was primarily attributable to: (i) new IP games, i.e. *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院) and *Fights Break Firmament: Peak Confrontation* (斗破蒼穹:巔峰對決), were published by the Group in the first half of 2024, as well as the continued advertising promotion of a number of WeChat mini games, such as *Battle of Ling Xiao* (凌霄戰紀) and *Smash* (消個錘子), resulting in the promotion expenses increased as compared to the same period of last year; and (ii) *Legend of Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), which was launched in Hong Kong, Macau and Taiwan in December 2023, has been in promotion stage during the Reporting Period, resulting in an increase in related promotion expenses.

## 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			
	2024		2023	
	<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	<b>56,320</b>	<b>4.6</b>	49,069	3.2
Office costs and utilities	<b>25,719</b>	<b>2.1</b>	34,445	2.2
Research and development expenses	<b>110,173</b>	<b>8.9</b>	266,859	17.4
Others	<b>218</b>	<b>0.0</b>	1,359	0.1
<b>Total</b>	<b>192,430</b>	<b>15.6</b>	<b>351,732</b>	<b>22.9</b>

The Group's administrative expenses decreased by 45.3% from RMB351.7 million for the six months ended 30 June 2023 to RMB192.4 million for the six months ended 30 June 2024. The decrease was primarily attributable to (i) the research and development of Group's self-developed game *World of Castellan* (城主天下) has been completed during the Reporting Period with related expenses decreased. The *Legend of Sword and Fairy: World* (仙劍世界) has implemented AIGC technology in its development process to reduce costs, and the main development phase was completed during the Reporting Period, thus the design and development fees relating to research and development expenses have decreased; *Legend of Sword and Fairy: World* (仙劍世界) has now entered the testing phase prior to its launch and the Group has capitalised the research and development expenses of such game. Therefore, the research and development expenses decreased by 58.7% from RMB266.9 million for the six months ended 30 June 2023 to RMB110.2 million for the six months ended 30 June 2024; (ii) control measures strengthened against the office costs and utilities expenses leading to a decrease in office costs; and (iii) During the Reporting Period, the Group implemented a stricter control over the remuneration of management personnel, which has led to a decrease of 19.7% in salaries and benefits from RMB 38.2 million for the six months ended 30 June 2023 to RMB 30.6 million for the six months ended 30 June 2024. Due to the grant of new share options during the Reporting Period, the overall salaries and benefits for management personnel have therefore increased.

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

The Group's asset impairment loss refers to the impairment loss on financial assets of trade receivables, other receivables and other assets. According to the relevant accounting policies under HKFRS 9, the impairment loss on financial assets recorded by the Group increased by 79.0% from RMB35.1 million for the six months ended 30 June 2023 to RMB62.9 million for the six months ended 30 June 2024. The increase was mainly due to the Group's provision for impairment losses in respect of certain pending legal cases.

### **Other expenses**

The Group's other expenses increased by approximately 392.9% from RMB35.7 million for the six months ended 30 June 2023 to RMB175.8 million for the six months ended 30 June 2024. The increase was primarily attributable to: (i) the revenue of certain investee companies of the Group in Mainland China not meeting expectations, thus the Group has made impairment provisions corresponding to the above-mentioned investee companies; (ii) the Group recognised the impairment of prepayments for games and IP that have not yet launched and whose contracts have expired during the Reporting Period; and (iii) fair value losses on financial assets at fair value through profit or loss arose.

### **Finance costs**

The Group's finance costs mainly consist of interest expenses, which increased by 12.7% from RMB9.9 million for the six months ended 30 June 2023 to RMB11.1 million for the six months ended 30 June 2024, mainly due to an increase in interest expenses of the bank and other borrowings of the Group.

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

As at 30 June 2024, 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 regarded as a joint venture of the Group under the applicable accounting policies. The Group's share of losses of a joint venture for the six months ended 30 June 2024 was nil (for the six months ended 30 June 2023: nil).

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

As at 30 June 2024, the Group held minority equity interests in several associates. The Group's share of profits and losses of associates decreased from a profit of RMB9.5 million for the six months ended 30 June 2023 to a profit of RMB2.8 million for the six months ended 30 June 2024. It was primarily attributable to the decrease in the share of profits of Shenzhen Zhichengqianli Investment Enterprise (Limited Partnership) (深圳市志成千里投資企業 (有限合夥)) as compared to the same period of last year.

### **Loss/profit before tax**

As a result of the foregoing, the Group's loss/profit before tax turned from a profit of RMB42.6 million for the six months ended 30 June 2023 to a loss of RMB210.6 million for the six months ended 30 June 2024.

### **Income tax expense/credit**

The Group's income tax expense/credit turned from a credit of RMB8.4 million for the six months ended 30 June 2023 to an expense of RMB30.4 million for the six months ended 30 June 2024. It was mainly because the Group recognised deferred income tax expense of RMB24.0 million.

### **Loss/profit for the period**

As a result of the foregoing, the Group's loss/profit for the period turned from a profit of RMB51.0 million for the six months ended 30 June 2023 to a loss of RMB241.1 million for the six months ended 30 June 2024.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group adopts a prudent treasury management policy to ensure that the Group maintains a healthy financial position. As at 30 June 2024, the Group funded its cash requirements principally from cash generated from its operating activities and financing activities. The Group had cash and cash equivalents of approximately RMB164.8 million and RMB210.6 million as at 30 June 2024 and 31 December 2023, respectively. For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. For the purpose of the interim condensed consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash which are not restricted as to use.

The Group generally deposits its excess cash in its interest-bearing bank accounts and current accounts. The Group believes that its liquidity requirements will be satisfied by using a combination of (i) cash generated from its operating activities; (ii) bank borrowings; (iii) other funds raised from the capital markets from time to time; and (iv) the net proceeds received from the subscription of new shares by Farrich Investments Limited (the "**Subscription**" (as defined in the section headed "Purchase, Sale or Redemption of Listed Securities" below)).

As at 30 June 2024, the current assets of the Group amounted to approximately RMB2,068.5 million, and the current liabilities of the Group amounted to approximately RMB1,241.4 million.

As at 30 June 2024, the current ratio (being the current assets divided by current liabilities as at the end of each period) of the Group was 1.67 times as compared with 1.71 times as at 31 December 2023, which was relatively stable.



As at 30 June 2024, the gearing ratio (being the total debt divided by total equity as at the end of each period) of the Group was 8.5% as compared with 8.7% as at 31 December 2023, which was relatively stable.

### **Indebtedness**

During the Reporting Period, the Group obtained bank and other borrowings of RMB333.6 million and repaid bank borrowings of RMB359.1 million.

As at 30 June 2024, the Group had total bank and other borrowings of RMB469.6 million which were unsecured (31 December 2023: RMB495.0 million). The Group's effective interest rates on its unsecured bank borrowings ranged from 2.1% to 5.5%.

As at 30 June 2024, the lease liabilities of the Group were RMB29.0 million (31 December 2023: RMB26.9 million).

### **Financial assets at fair value through profit or loss**

The Group's financial assets at fair value through profit or loss as at 30 June 2024 have decreased as compared to 31 December 2023. The decrease was mainly attributable to disposals of certain unlisted equity investments amounting to a total of approximately RMB54.8 million and the unrealised fair value losses of approximately RMB59.1 million recognised mainly for unlisted equity investments during the Reporting Period. As at 30 June 2024, the Group's financial assets at fair value through profit or loss mainly include listed equity investments, unlisted equity investments, and convertible loans and other debt instruments, representing 10.6%, 60.3% and 29.1% of financial assets at fair value through profit or loss, respectively. As at 30 June 2024, the Group has invested in approximately 30 companies, the business nature of which is mainly game development. The Group regularly appoints professional independent valuers to evaluate the fair value of unlisted investments, including financial assets falling under Level 2 and Level 3 of the fair value hierarchy. The fair values of the unlisted investments have been estimated by using various applicable valuation techniques, including the discounted cash flow approach, adjusted net assets value method and other option pricing models.

### **Prepayments**

As at 30 June 2024, the prepayments of the Group amounted to approximately RMB1,353.2 million, representing a decrease of 5.3% as compared with 31 December 2023; the prepayments of the Group mainly included prepaid licence fees (non-current) of approximately RMB792.8 million, prepaid minimum guarantee (current) of approximately RMB467.6 million and other prepayments of approximately RMB92.8 million. The underlying contracts for such prepayments for licence fees and minimum guarantee were made with more than 70 renowned enterprises worldwide, representing more than 70 operating or developing games and will be amortised monthly after the game development is completed and officially launched.

**Off-balance sheet commitments and arrangements**

As at 30 June 2024, the Group did not enter into any off-balance sheet transactions (31 December 2023: Nil).

**Pledge of assets**

As at 30 June 2024, the Group did not have any pledge of assets (31 December 2023: Nil).

**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 2024 mainly with its internal resources.

The Group's capital commitments as at 31 December 2023 and 30 June 2024 amounted to RMB280.0 million and RMB251.2 million, respectively. The Group's capital commitments as at 30 June 2024 was primarily for the purchase of IP and game licences.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
<b>REVENUE</b>	5	<b>1,233,336</b>	1,535,444
Cost of sales		<u>(860,572)</u>	<u>(1,019,249)</u>
Gross profit		<b>372,764</b>	516,195
Other income and gains, net		<b>4,631</b>	69,573
Selling and distribution expenses		<b>(148,554)</b>	(120,324)
Administrative expenses		<b>(192,430)</b>	(351,732)
Impairment losses on financial assets, net		<b>(62,859)</b>	(35,114)
Other expenses		<b>(175,830)</b>	(35,674)
Finance costs		<b>(11,109)</b>	(9,859)
Share of profits and losses of:			
A joint venture		—	—
Associates		<b>2,780</b>	9,507
<b>(LOSS)/PROFIT BEFORE TAX</b>	6	<b>(210,607)</b>	42,572
Income tax (expense)/credit	7	<b>(30,444)</b>	8,423
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b><u>(241,051)</u></b>	<b><u>50,995</u></b>
Attributable to:			
Owners of the parent		<b>(236,220)</b>	56,824
Non-controlling interests		<b>(4,831)</b>	(5,829)
		<b><u>(241,051)</u></b>	<b><u>50,995</u></b>
<b>(LOSS)/EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO ORDINARY</b>			
<b>EQUITY HOLDERS OF THE PARENT</b>	9		
Basic and diluted			
– For (loss)/profit for the period		<b><u>RMB(8.58) cents</u></b>	<b><u>RMB2.06 cents</u></b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b><u>(241,051)</u></b>	<b><u>50,995</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>1,693</u>	<u>(26,669)</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>1,693</u>	<u>(26,669)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation from functional currency to presentation currency	<u>10,636</u>	<u>62,137</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>10,636</u>	<u>62,137</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b><u>12,329</u></b>	<b><u>35,468</u></b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b><u>(228,722)</u></b>	<b><u>86,463</u></b>
Attributable to:		
Owners of the parent	<u>(223,891)</u>	<u>92,292</u>
Non-controlling interests	<u>(4,831)</u>	<u>(5,829)</u>
	<b><u>(228,722)</u></b>	<b><u>86,463</u></b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
<b>NON-CURRENT ASSETS</b>			
Property and equipment		13,092	14,222
Right-of-use assets		26,524	24,860
Goodwill		1,042,460	1,059,304
Other intangible assets		721,855	610,665
Investment in a joint venture		—	—
Investments in associates		157,520	159,329
Financial assets at fair value through profit or loss	10	1,918,832	2,021,044
Deferred tax assets		65,589	73,870
Prepayments	12	833,319	910,287
Total non-current assets		<u>4,779,191</u>	<u>4,873,581</u>
<b>CURRENT ASSETS</b>			
Trade receivables	11	1,138,922	1,187,136
Prepayments, other receivables and other assets	12	756,956	808,992
Due from related parties		7,851	8,851
Cash and cash equivalents		164,782	210,609
Total current assets		<u>2,068,511</u>	<u>2,215,588</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	13	241,543	261,054
Other payables and accruals		302,362	311,556
Contingent consideration for business combination		101,000	100,000
Interest-bearing bank and other borrowings		469,564	495,000
Tax payable		109,694	114,717
Due to related parties		2,334	1,998
Lease liabilities		14,925	11,077
Total current liabilities		<u>1,241,422</u>	<u>1,295,402</u>
<b>NET CURRENT ASSETS</b>		<u>827,089</u>	<u>920,186</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>5,606,280</u>	<u>5,793,767</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

As at 30 June 2024

	<b>30 June 2024</b>	31 December 2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<b>98,798</b>	83,124
Lease liabilities	<b>14,060</b>	15,830
	<hr/>	<hr/>
Total non-current liabilities	<b>112,858</b>	98,954
	<hr/>	<hr/>
Net assets	<b>5,493,422</b>	5,694,813
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	<b>1,915</b>	1,915
Reserves	<b>5,497,230</b>	5,693,790
	<hr/>	<hr/>
	<b>5,499,145</b>	5,695,705
Non-controlling interests	<b>(5,723)</b>	(892)
	<hr/>	<hr/>
Total equity	<b>5,493,422</b>	5,694,813
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

### 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, Korea and Japan, and investment business in Mainland China.

### 2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the six months ended 30 June 2024 have 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 2023 annual report.

### 3. ACCOUNTING POLICIES

The Company and its subsidiaries (the “Group”) have applied the same accounting policies and methods of computation in its interim condensed consolidated financial statements as in its 2023 annual report, except for the following new standards and amendments which apply for the first time in 2024. However, not all of such new standards and amendments are expected to impact the Group as they are either not relevant to the Group's activities or the required accounting policy is consistent with the Group's current accounting policies. The following new standards and amendments are effective for the period beginning from 1 January 2024.

Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
HK Interpretation 5 (Revised)	<i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i>

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

#### 4. OPERATING SEGMENT INFORMATION

For the six months ended 30 June 2024

Segments	Game publishing RMB'000 (Unaudited)	Game development RMB'000 (Unaudited)	Licensing of intellectual property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue (Note 5)</b>				
Sales to external customers	999,925	126,330	107,081	1,233,336
Intersegment sales	—	956	—	956
	<u>999,925</u>	<u>127,286</u>	<u>107,081</u>	<u>1,234,292</u>
Reconciliation:				
Elimination of intersegment sales				<u>(956)</u>
Total revenue from contracts with customers				<u><u>1,233,336</u></u>
Segment results	254,818	19,526	98,420	372,764
Reconciliation:				
Other income and gains, net				4,631
Selling and distribution expenses				(148,554)
Administrative expenses				(192,430)
Impairment losses on financial assets, net				(62,859)
Other expenses				(175,830)
Finance costs				(11,109)
Share of profits and losses of: Associates				<u>2,780</u>
LOSS BEFORE TAX				<u><u>(210,607)</u></u>



**For the six months ended 30 June 2023**

<b>Segments</b>	Game publishing RMB'000 (Unaudited)	Game development RMB'000 (Unaudited)	Licensing of intellectual property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Segment revenue (Note 5)</b>				
Sales to external customers	1,217,004	258,634	59,806	1,535,444
Intersegment sales	—	18,529	—	18,529
	<u>1,217,004</u>	<u>277,163</u>	<u>59,806</u>	<u>1,553,973</u>
Reconciliation:				
Elimination of intersegment sales				<u>(18,529)</u>
Total revenue from contracts with customers				<u><u>1,535,444</u></u>
Segment results	266,511	193,340	56,344	516,195
Reconciliation:				
Other income and gains, net				69,573
Selling and distribution expenses				(120,324)
Administrative expenses				(351,732)
Impairment losses on financial assets, net				(35,114)
Other expenses				(35,674)
Finance costs				(9,859)
Share of profits and losses of: Associates				<u>9,507</u>
<b>PROFIT BEFORE TAX</b>				<u><u>42,572</u></u>

## 5. REVENUE

An analysis of revenue is as follows:

During the six months ended 30 June 2024, various games published by the Groups recorded suboptimal performance led to a decrease in revenue.

Disaggregated revenue information

**For the six months ended 30 June 2024**

Segments	Game publishing RMB'000 (Unaudited)	Game development RMB'000 (Unaudited)	Licensing of intellectual property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Types of goods or services:</b>				
Mobile game publishing services	999,925	—	—	999,925
Game development related services	—	126,330	—	126,330
Licensing of intellectual property	—	—	107,081	107,081
	<u>999,925</u>	<u>126,330</u>	<u>107,081</u>	<u>1,233,336</u>
<b>Revenue from contracts with customers under HKFRS 15 by geographical markets:</b>				
Mainland China	833,084	116,795	107,081	1,056,960
Other countries/regions	166,841	9,535	—	176,376
	<u>999,925</u>	<u>126,330</u>	<u>107,081</u>	<u>1,233,336</u>
<b>Revenue from contracts with customers under HKFRS 15 by timing of revenue recognition:</b>				
Services transferred over time	999,925	126,330	13,442	1,139,697
Services transferred at a point in time	—	—	93,639	93,639
	<u>999,925</u>	<u>126,330</u>	<u>107,081</u>	<u>1,233,336</u>

**For the six months ended 30 June 2023**

<b>Segments</b>	Game publishing RMB'000 (Unaudited)	Game development RMB'000 (Unaudited)	Licensing of intellectual property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Types of goods or services:</b>				
Mobile game publishing services	1,217,004	—	—	1,217,004
Game development related services	—	258,634	—	258,634
Licensing of intellectual property	—	—	59,806	59,806
	<u>1,217,004</u>	<u>258,634</u>	<u>59,806</u>	<u>1,535,444</u>
<b>Revenue from contracts with customers under HKFRS 15 by geographical markets:</b>				
Mainland China	1,108,813	258,634	43,318	1,410,765
Other countries/regions	108,191	—	16,488	124,679
	<u>1,217,004</u>	<u>258,634</u>	<u>59,806</u>	<u>1,535,444</u>
<b>Revenue from contracts with customers under HKFRS 15 by timing of revenue recognition:</b>				
Services transferred over time	1,217,004	258,634	32,421	1,508,059
Services transferred at a point in time	—	—	27,385	27,385
	<u>1,217,004</u>	<u>258,634</u>	<u>59,806</u>	<u>1,535,444</u>

## 6. (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	
		2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Commissions charged by channels and third-party game developers	(a)	683,585	827,683
Commissions charged by intellectual properties ("IP") owners		67,417	46,372
Promotion expenses		136,027	100,988
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages and salaries		143,496	192,044
Equity-settled share-based expense		28,184	19,344
Pension scheme contributions (defined contribution scheme)	(b)	16,518	25,325
		<u>188,198</u>	<u>236,713</u>
Depreciation of property and equipment		2,615	3,789
Depreciation of right-of-use assets		7,877	6,712
Amortisation of other intangible assets		87,321	55,074
Research and development costs		210,459	266,859
Less: Amounts capitalised in intangible assets		<u>(100,286)</u>	<u>—</u>
		<u>110,173</u>	<u>266,859</u>
Lease payments not included in the measurement of lease liabilities		1,582	4,357
Foreign exchange differences, net		4,392	(7,088)
Impairment losses on financial assets, net:			
Impairment of trade receivables, net		29,123	52,854
Impairment of/(reversal of) expected credit loss of other receivables		33,736	(17,740)
Write-off of prepayments, other receivables and other assets	(c)	65,240	15,299
Gain on lease modification		—	(317)
Impairment losses on other intangible assets	(d)	24,251	3,933
Impairment losses on investment in a joint venture and an associate	(d)	4,589	12,484
Impairment on goodwill	(d)	16,844	—
Bank interest income		(1,047)	(970)
Loss/(gain) on disposals of items of property and equipment		7	(10)
Auditor's remuneration		1,400	1,400
Fair value losses/(gain) on financial assets at fair value through profit or loss		59,099	(27,769)
Fair value adjustment of contingent consideration for business combination		1,000	3,075

Notes:

- (a) Zhejiang Century Huatong Group Co., Ltd (“**Century Huatong**”) is a listed company on the Shenzhen Stock Exchange (SZSE:002602), and a wholly-owned subsidiary of Century 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. As Century 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 Century Huatong is an independent third party with the Group. Century Huatong provided channel services to the Group, which amounted to RMB11,670,000 during the six months ended 30 June 2024 (2023: RMB35,282,000), and the balance of trade receivables from Century Huatong as at 30 June 2024 was RMB632,000 (31 December 2023: RMB909,000).
- (b) There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.
- (c) Write-off of prepayments, other receivables and other assets is included in “Other expenses” in the condensed consolidated statement of profit or loss. These prepayments are relating to certain mobile game projects which the Group had decided to terminate.
- (d) Impairment losses on goodwill, other intangible assets, a joint venture and an associate are included in “Other expenses” in the condensed consolidated statement of profit or loss.

## 7. INCOME TAX

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 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 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 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 high and new technology enterprises (“**HNTE**”) in 2023 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 2023 to 2026.

Beijing Wenmai Hudong Technology Company Limited was accredited as a HNTE since 2016 and is entitled to a tax rate of 15% when the certificate was valid for three years since its renewal in 2022.

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

Beijing Zhongsheng Huyu Entertainment Technology Company Limited was accredited as a “software enterprise” in 2021 under relevant PRC laws and regulations. According to relevant policies, it was entitled to tax exemption from 2020 to 2021 and a preferential CIT rate of 12.5% from 2022 to 2024.

Shengyue Software (Shenzhen) Co., Ltd. was accredited as a “software enterprise” in 2021 under relevant PRC laws and regulations. Accordingly, it was entitled to tax exemption from 2020 to 2021 and is entitled to a preferential CIT rate of 12.5% from 2022 to 2024.

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 2023 and 2024.

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 2023 and 2024.

Shanghai Fanying Network Technology Co., Ltd. was accredited as a “software enterprise” in 2021 under relevant PRC laws and regulations. According to relevant policies, it was entitled to tax exemption from 2021 to 2022 and is entitled to a preferential CIT rate of 12.5% from 2023 to 2026.

### Super Deduction

According to a policy promulgated by the State Tax Bureau of the PRC that was effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development (“**R&D**”) expenses incurred as tax deductible expenses in determining tax assessable profits. Certain qualified subsidiaries of the Group have claimed such super deduction in ascertaining their tax assessable profits/(losses) for the six months ended 30 June 2023 and 2024.

On 26 March 2023, the State Tax Bureau of the PRC issued the Public Notice 2023 No.7, announcing that the enterprises engaging in research and development activities are entitled to claim 200% of their “R&D” expenses incurred as tax deductible expenses in determining tax assessable profits from 2023 onwards. Certain qualified subsidiaries of the Group have claimed such super deduction in ascertaining their tax assessable profits/(losses) for the six months ended 30 June 2023 and 2024.

The major components of the income tax expense/(credit) for the period are as follows:

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>RMB’000</b>	RMB’000
	<b>(Unaudited)</b>	(Unaudited)
Current tax expense		
PRC	<b>5,086</b>	10,389
Hong Kong		
Charge for the period	<b>54</b>	2,666
Overprovision in prior years	<b>—</b>	(5,415)
Elsewhere	<b>1,349</b>	1,388
	<b>6,489</b>	9,028
Deferred tax expense/(credit)		
Original and reversal of temporary difference and tax losses	<b>23,955</b>	(17,451)
Total tax expense/(credit) for the period	<b>30,444</b>	(8,423)

## 8. DIVIDENDS

The board of directors of the Company resolved not to pay any interim dividend to the shareholders in respect of the six months ended 30 June 2024 (2023: nil).

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

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>(Loss)/Earnings</b>		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculation	<u>(236,220)</u>	<u>56,824</u>
	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue (excluding treasury shares) during the period used in the basic and diluted (loss)/earnings per share calculation	<u>2,752,241,000</u>	<u>2,752,672,000</u>

The Group had no dilutive potential ordinary shares in issue during the six months ended 30 June 2024 and 2023 for which the exercise price of the share options exceeds the average market price of the ordinary shares during the respective period. Therefore, both basic and diluted (loss)/earnings per share are the same.

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Listed equity investments, at fair value	204,158	201,133
Unlisted equity investments, at fair value	1,155,715	1,251,887
Convertible loans and other debt instruments, at fair value	<u>558,959</u>	<u>568,024</u>
	<u>1,918,832</u>	<u>2,021,044</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 RMB37,463,000 (31 December 2023: RMB39,906,000) as at 30 June 2024.



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 RMB223,446,000 (31 December 2023: RMB218,359,000) as at 30 June 2024.

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 RMB212,000,000 (31 December 2023: RMB219,000,000) as at 30 June 2024.

Pursuant to the relevant 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 assets at fair value through profit or loss.

## 11. TRADE RECEIVABLES

	<b>30 June 2024</b>	31 December 2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>1,431,233</b>	1,450,544
Allowance for impairment	<b>(292,311)</b>	(263,408)
	<u><b>1,138,922</b></u>	<u>1,187,136</u>
Trade receivables, net	<u><b>1,138,922</b></u>	<u>1,187,136</u>

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

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

	<b>30 June 2024</b>	31 December 2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Within 6 months	<b>758,495</b>	746,711
6 months to 1 year	<b>219,397</b>	325,281
1 year to 18 months	<b>114,753</b>	52,405
18 months to 2 years	<b>34,435</b>	36,474
Over 2 years	<b>11,842</b>	26,265
	<u><b>1,138,922</b></u>	<u>1,187,136</u>
Total	<u><b>1,138,922</b></u>	<u>1,187,136</u>

## 12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Non-current portion		
Prepayments (note)	<u>833,319</u>	<u>910,287</u>
Current portion		
Prepayments (note)	<b>519,866</b>	519,035
Deposits and other receivables	<b>202,450</b>	205,595
Contract costs	<u>34,640</u>	<u>84,362</u>
	<u><b>756,956</b></u>	<u>808,992</u>
Total	<u><b>1,590,275</b></u>	<u>1,719,279</u>

Note:

Prepayments as at 30 June 2024 mainly included prepaid minimum guarantee of approximately RMB467,580,000 (31 December 2023: RMB513,229,000) and prepaid license fees of approximately RMB792,761,000 (31 December 2023: RMB899,731,000).

## 13. 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:

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Within 3 months	<b>101,590</b>	93,933
3 to 6 months	<b>68,740</b>	54,625
6 months to 1 year	<b>40,591</b>	47,358
Over 1 year	<u>30,622</u>	<u>65,138</u>
Total	<u><b>241,543</b></u>	<u>261,054</u>

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

## SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS OR DISPOSAL

During the six months ended 30 June 2024, 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.

## 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 (as defined in the section headed “Purchase, Sale or Redemption of Listed Securities” below) as set out in the relevant announcements dated 29 May 2024 and 22 July 2024. The Group did not have concrete plans for material investments or capital assets as at 30 June 2024.

## USE OF PROCEEDS FROM THE SUBSCRIPTION OF NEW SHARES BY FARRICH INVESTMENTS LIMITED

The net proceeds from the Subscription was approximately HK\$167.0 million after deducting related fees and expenses in connection with the Subscription. The Company will apply the net proceeds in the manner as set out in the Company’s announcements dated 29 May 2024 and 22 July 2024.

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

No.	Purposes	Amount of net proceeds utilised between the completion of the Subscription and the date of this announcement (HK\$ in millions)	Amount of net proceeds unutilised as at the date of this announcement (HK\$ in millions)	Expected timeline for the full utilisation of the remaining net proceeds
1.	Further enhance IP-based game publishing and development business through acquisitions and/or investments	<u>167.0</u>	<u>113.7</u>	<u>53.3</u> Before 30 June 2025

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 unforeseeable circumstances, and are 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 publish an announcement as and when appropriate.

#### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2024, the Group repurchased an aggregate of 1,036,000 ordinary shares for a total consideration of approximately HK\$1.05 million (equivalent to approximately RMB0.97 million) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The repurchased shares will subsequently be cancelled. Details of the shares repurchased are as follows:

<b>Month of repurchase</b>	<b>Number of ordinary shares repurchased</b>	<b>Highest price paid per share HK\$</b>	<b>Lowest price paid per share HK\$</b>	<b>Aggregate consideration paid HK\$ in millions (Approximate)</b>
April 2024	1,036,000	1.03	0.99	1.05

On 29 May 2024 (after trading hours), the Company entered into a subscription agreement with Farrich Investments Limited (as subscriber), pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 100,000,000 ordinary shares (the “**Subscription Shares**”) at the subscription price of HK\$1.68 per share (with the closing price of HK\$1.49 per share as quoted on the Stock Exchange on the trading day on the date of the subscription agreement) (the “**Subscription**”).

The Subscription was completed on 22 July 2024 and the Group received a total net proceeds of approximately HK\$167.0 million upon completion. The Subscription Shares have an aggregate nominal value of US\$10,000. The Group intends to apply the net proceeds from the Subscription to further enhance its IP-based game publishing and development business through acquisitions and/or investments in (i) leading game developers with good research and development capabilities; and (ii) strong IP rights relating to popular and promising animations, literature, game and motion pictures, in Greater China. The Directors consider that the issue of the Subscription Shares represents an opportunity to raise capital for the Group’s general working capital needs. The Directors also believe that the Company, by entering into the subscription agreement, will benefit the Group’s long term development and broaden its shareholder and capital base to facilitate the future growth and development of its business. Further details regarding the use of proceeds from the Subscription are set forth under the section headed “*Use of Proceeds from the Subscription of New Shares by Farrich Investments Limited*” of this announcement.

Save as disclosed above, the Group did not purchase, sell or redeem any of the Company’s listed securities during the six months ended 30 June 2024.

#### **DIVIDENDS**

The Board did not propose payment of any interim dividend for the six months ended 30 June 2024 (30 June 2023: Nil).

## CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

The Board appointed Mr. JIANG Yukai (“**Mr. Jiang**”) as a non-executive Director with effect from 22 April 2024. Biographical details of Mr. Jiang are set out in the announcement of the Company dated 22 April 2024. In compliance with the provisions in the articles of association of the Company, Mr. Jiang retired from office at the annual general meeting on 27 May 2024 (the “**AGM**”) and was re-elected in the AGM as a non-executive Director.

Ms. NG Yi Kum, an independent non-executive Director, has resigned as an executive director of Tse Sui Luen Jewellery (International) Limited (“**Tse Sui Luen Jewellery**”), a company listed on the Stock Exchange (stock code: 0417), with effect from 27 May 2024 and has acted as a consultant of Tse Sui Luen Jewellery until 30 June 2024.

Save as disclosed above, there has been 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 (the “**Listing Rules**”) during the six months ended 30 June 2024 and up to the date of this announcement.

## CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2024, the Company had complied with the applicable code provisions of Part 2 of the Corporate Governance Code as set out in Appendix C1 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), two non-executive Directors 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**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (“**Model Code**”) as its own code of conduct regarding dealings in the securities of the Company by the Directors, senior management members, and employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company’s securities.

All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standards set out in the Model Code throughout the period from 1 January 2024 to 30 June 2024.

## **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 ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cmge.com](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, 28 August 2024

*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 and Mr. Jiang Yukai as non-executive Directors; and Ms. Ng Yi Kum, Mr. Tang Liang and Mr. Ho Orlando Yaukai as independent non-executive Directors.*