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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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**”), the “**Group**”) is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2024.

2024 FINANCIAL HIGHLIGHTS

	For the year ended	
	31 December	
	2024	2023
	RMB’000	RMB’000
Revenue	1,930,091	2,605,884
Gross profit	603,058	943,102
Loss for the year	(2,110,819)	(38,041)
Adjusted net (loss)/profit ⁽¹⁾	(2,077,723)	5,379
Basic and diluted loss per Share (RMB)	(74.56) cents	(0.73) cents
Adjusted basic and diluted (loss)/earnings per Share (RMB) ⁽¹⁾	(73.59) cents	0.20 cents

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 non-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. “Adjusted basic and diluted (loss)/earnings per Share” is the Group’s adjusted net (loss)/profit divided by the weighted average number of Shares and potentially dilutive weighted average number of Shares, respectively, in issue during the year.

CHAIRMAN’S STATEMENT

Dear Shareholders,

2024 was a year full of challenges and changes. The turbulence of geopolitics, the pressure of the external environment, and the complex situation of the internal economy have all added uncertainty to the development of the gaming industry. As the gaming market becomes increasingly mature, the growth of the player base has gradually slowed down. Top gaming companies compete more intensely for players to maintain and expand market shares, which leads to increased difficulties in attracting customers. Meanwhile, the decline in traffic through hardcore channels has further increased the difficulty in attracting customers. In order to address these challenges, the Group increased its business revenue through the continued launch of quality games worldwide. The Group recorded a revenue of RMB1,930.1 million in 2024, of which overseas revenue reached RMB272.1 million, accounting for 14.1% of the Group’s total revenue.

Despite the Group’s extensive efforts to sharpen financial performance, multiple unfavourable factors have inevitably led to delays in the launch of several projects, particularly the self-developed core game *Legend of Sword and Fairy: World* (仙劍世界). Its post-launch performance also fell short of expectations. In addition, some game development and publishing companies invested by the Group also faced significant operational challenges. During the reporting period, the Group recognised substantial goodwill and investment impairments, along with other non-operating expenses, which placed considerable pressure on its financial performance for 2024.

Considering the evolving competitive landscape and industry trends, the Group has undertaken a thorough review and planning, and reaffirmed its commitment to a strategy of “business focus + cost control”, aiming to enhance the depth and quality of its concrete operations. Looking ahead to 2025 and beyond, the Group will implement the following strategic adjustments:

- 1. Enhancing the Development of IP Quality Games.** The Group has long been dedicated to publishing intellectual property (“IP”) quality games, establishing a strong competitive edge in the industry. The Group boasts a portfolio of evergreen and revenue-generating IP games, including *One Piece: the Road of the Strong* (航海王強者之路), *One Piece: The Voyage* (航海王熱血航線) and *Legend of Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情). Between 2025 and 2026, the Group plans to launch several new IP games, including *Sanqian Huanshi* (三千幻世), *Daily Life of Chat Group* (聊天群的日常生活), *Naruto: Konoha Masters* (火影忍者:木葉高手), *New Romance of the Three*

Kingdoms: The Legend of Cao Cao (新三國志曹操傳), *New Rakshasa Street* (新鎮魂街), *Ultraman: Warrior of Light* (奧特曼:光之戰士), *Code: Disney All Stars* (代號:迪士尼全明星) and *Code: DreamWorks All Stars* (代號:夢工廠全明星). These games planned to be launched are all adaptations of immensely popular IPs. Leveraging the Group's extensive experience in IP game publishing, the Group is confident in its ability to produce breakout hits and evergreen games that will generate substantial and long-term profits.

For future IP game projects, the Group will prioritise exclusive partnerships with IPs that have a defined core fans base, as well as collaborations with IPs with high popularity in the market that not yet be fully developed. Meanwhile, the Group will also seek developers with proven success in game development, expertise in long-term gameplay mechanics and mature commercialisation model, and the agility to support rapid version iterations, and will forge deep and lasting partnerships with them. Alignment between IP attributes and gameplay mechanics is ensured during project approval. In the selection of game categories, the Group will consider selecting games covering both the casual game market and overseas markets. Project approval of games will be strictly governed by precisely controlling project cost and development timelines.

- 2. Strengthening our presence in the Hong Kong, Macau, and Taiwan markets, and further expand the Japanese, Korean, and Southeast Asian markets in 2025.** The Group has extensive publishing experience in the Hong Kong, Macau, and Taiwan markets, with past successes including *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心), which have achieved a monthly gross billing of over RMB100 million, as well as multiple games including *Dynasty Warriors: Hegemony* (真·三國無雙霸) and *Legend of Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), which topped the Best Selling Game List of Apple's App Store. Between 2025 and 2026, the Group plans to successively launch multiple games in overseas markets, including *Fights Break Firmament: Peak Confrontation* (斗破蒼穹:巔峰對決) in Hong Kong, Macau, and Taiwan, *Soul Land: Space and Time Reversal* (斗羅大陸:逆轉時空) and *New Romance of the Three Kingdoms: The Legend of Cao Cao* (新三國志曹操傳) in Asia, and *Dynasty Warriors: Hegemony* (真·三國無雙霸) in Japan.

The Group's overseas publishing strategy focuses on commercially proven games from the domestic market to ensure a higher publishing success rate in overseas markets.

- 3. Cultivating the Mini-Games Market to Become a Leading Mini-Games Publisher in Mainland China.** The Group has successfully launched multiple hit mini games, such as *The Story of the Flying Mortal* (凡人飛仙傳), *The National Gunlord – The Frontier* (全民槍神:邊境王者) and *Battle of Ling Xiao* (凌霄戰紀), each of which has generated gross billing exceeding several hundred million RMB. In January 2025, the Group launched *Chunqiu Mystery* (春秋玄奇), a game blending Hong Kong-style comic aesthetics with lightweight strategy gameplay, which achieved over RMB100 million in gross billing within three months of its launch. These results highlight the Group’s extensive expertise in selecting and publishing mini games.

In April 2025, the Group will release *Sanqian Huanshi* (三千幻世), a new pixelated mini game based on a collection of Chinese animes, officially licensed by Tencent’s WeComics. More games will be launched in the subsequent period.

- 4. Optimising In-House Development Team, Focus on the Legendary Games and Innovative Mini Games.** The open-world game *Legend of Sword and Fairy: World* (仙劍世界), developed by the Group’s Mantianxing Studio (滿天星工作室) based on *Legend of Sword and Fairy* (仙劍) IP, did not meet expectations after its launch, despite significant investment by the Group. This has posed major challenges for the Group’s in-house development business. The Group has learnt the experience and timely undertaken a structural and personnel optimisation of the *Legend of Sword and Fairy: World* (仙劍世界) project while redesigning its commercialisation model. Efforts will also be made to maximise the collection of upfront investment in research and development while ensuring regular maintenance and iterations of the existing version.

The Group’s wholly-owned subsidiary, Wenmai Hudong Technology Company Limited (北京文脈互動科技有限公司) (“**Wenmai Hudong**”), has developed multiple industry well-known and successful legendary games including *The World of Legend – Thunder Empire* (傳奇世界之雷霆霸業), *War Song – the Creation* (熱血戰歌之創世) and *Legend of Dragon City* (龍城傳奇). Building on this expertise, Wenmai Hudong continues to develop and is set to launch another legendary game, *Code: Dark Night Legend* (代號:暗夜傳奇), in the first half of 2025. Wenmai Hudong will continue to focus on developing legendary games and keep innovation on the basis of inheritance. Meanwhile, Wenmai Hudong will leverage its strengths in agile development, focusing on low-cost investments and swift market validation to foster innovation in its mini-game development segment, and providing the Group with more competitive games in the mini game market.

Beyond the above strategic adjustments, the Group is actively exploring the untapped potential of AI games. As AI technology continues to advance, especially a recent breakthrough in a domestically developed AI agent has obtained significant attention. This AI agent achieved viral success on social media overnight due to its human-like interactions and autonomous decision-making. Not only does this AI agent showcase a scientific breakthrough, but also signifies a major shift of AI application from “laboratory experimentation” to “mass-market applications”. This transformation represents a major opportunity for the game industry and drives new waves of innovation. The Group will explore the integration of AI with mini-game development, making meaningful innovations in gameplay revolution. Looking ahead, the Group aims to create innovative AI-driven mini games with games levels and contents autonomously designed by AI.

The Group remains committed to operating the *Legend of Sword and Fairy* (仙劍奇俠傳) IP in line with fans’ expectations. In 2025, this IP is set for an exciting year with a series of great developments. As the new story of the standalone game series under *Legend of Sword and Fairy* (仙劍) IP kicks off, animation of *Legend of Sword and Fairy 3* (仙劍三) will be officially launched on Tencent Video in 2025. Multiple animation projects are also underway in collaboration with high-quality partners. Several games developed based on the *Legend of Sword and Fairy* (仙劍) IP that have been launched continue to attract new fans. With the release of more animated series, revenue from the *Legend of Sword and Fairy* (仙劍) IP’s derivative works and licensing is expected to grow. In the realms of turn-based games and innovative mini games, the Group will further continue to collaborate with top industry partners, aiming to drive new revenue streams. The Group is also exploring licensing collaborations for *Legend of Sword and Fairy* (仙劍) IP across various sectors, including films, interactive dramas, concerts, stage plays, live entertainment and lifestyle products, to further enrich the *Legend of Sword and Fairy* (仙劍) IP’s entertainment portfolio and enhance the interactive experience for its fans.

In addition, the Group has adopted stronger and more effective cost control measures in the area of corporate governance. During the reporting period, the Group has completed organisational structure streamlining, resulting in a substantial reduction in the staff costs, venue expenses and other fixed costs in 2024. The Group has improved work efficiency and enhanced the overall competence of its staff, strengthened project approval processes, streamlined parallel projects, reduced various expenditure, and leveraged the application of artificial intelligence generated content (“AIGC”) to lower costs. As a result, the Group has effectively controlled its costs across various areas. Through the above-mentioned adjustments for reducing costs and improving efficiency, the organisational structure of the Group has become more streamlined, and its operational efficiency has been further enhanced. Through AIGC applications, the Group has reduced research and development costs of games in areas of art production, copywriting, dubbing and testing and increased efficiency of research and development. The Group’s research and development costs in 2024 reduced by 34.0% year-on-year. It is believed that as AI applications become more deeply integrated across the entire research and development and operational processes in the future, the outcomes in cost reduction and efficiency enhancement will be even more pronounced.

The Group firmly believes that leveraging on the advantages and experiences of the Group in game publishing and research and development field and combining with its own strong IP right resources, the Group will continue to make efforts in the fields of global IP quality games, innovative mini games, self-developed games and IP operation segments, and with the successive launch of a variety of IP quality games, innovative mini games and self-developed games globally after a long period of optimisation, the Group will enter a comprehensive profit recovery period in 2025, enabling the Group's various business segments to return to the growth track.

BUSINESS REVIEW

Global Publishing of IP Quality Games and Innovative Mini Games

During the reporting period, the Group launched three new IP quality games and two innovative mini games, delivering fresh gaming experiences to global game players while generating solid revenue contributions for the Group. Meanwhile, multiple previously released games of the Group maintained stable revenue performance. Regrettably, the launch timelines for several new games originally scheduled for 2024 were delayed due to additional time required for refinements and optimizations as a result of the shifts in user demand, resulting in extended version adjustment cycles. Furthermore, certain newly released games underperformed during the reporting period, impacting the Group's publishing revenue scale. For the year ended 31 December 2024, revenue from the Group's publishing business reached RMB1,664.5 million.

Publishing of IP Quality Games in Mainland China

The Group has successfully launched 3 new IP quality games during the reporting period.

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) and published jointly by the Group and Tanwan.com (貪玩遊戲), was launched on 31 January 2024 in Mainland China. Before the game was launched, the number of user reservations exceeded 6 million and it recorded gross billing of over RMB100 million in the first month of its launch and ranked first in the Top Free Game List and 24th in the Best Selling Game List of Apple's App Store and the first in the TapTap's Popular List. The game was rated as the "Best Chinese Animation IP Game of 2024 (2024年度最佳國漫IP遊戲)" by the Huawei Developer Conference and was rated as the "Best New Game of 2024 (2024年度最佳新遊)" by many developer conferences.

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. (“**EZfun Interactive**”), a company in which the Group invested, was officially launched in Mainland China in June 2024. Before the game was launched, the number of reservations on all 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. Regrettably, the game exhibited shortcomings in its long-term gameplay design, failing to sustain the revenue advantage from its initial launch phase. It experienced a significant revenue decline in the second half of 2024 and failed to reach expected returns. In response to these circumstances, the Group partnered with the developer EZfun Interactive to conduct in-depth optimisation of the game, enhance user experience, and will continue to refine game versions and conduct regular updates.

In September 2024, the Group launched *Soul Land: Space and Time Reversal* (斗羅大陸: 逆轉時空), the third mobile game adapted from the *Soul Land* (斗羅大陸) IP in Mainland China. The game was developed by the Love Games (Shanghai) Internet Technology Co., Ltd. (樂府互娛(上海)網絡科技有限公司) invested by the Group, and it ranked first on the Top Free Game List of Apple’s App Store after its launch. User acquisition costs continue to rise due to fierce competition for traffic in the mobile game market. The number of new users of *Soul Land: Space and Time Reversal* (斗羅大陸: 逆轉時空) did not meet expectations since its initial launch, and the revenue of the game during the reporting period also fell short of expectations. However, the game’s user retention rate, payment rate and daily active users (DAU) showed stable performance and there is a rise in user reputation with the TapTap rating increasing from 6.0 to 6.7. The Group remains confident in the long-term revenue capabilities of the game.

Multiple games released and operated in the past years had steady performance. Games 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), *Dynasty Warriors: Hegemony* (真·三國無雙霸), *One Piece: The Voyage* (航海王熱血航線) and *One Piece: the Road of the Strong* (航海王強者之路) sustained good profitability in Mainland China and brought steady revenue for the Group during the reporting period.

Some new games were originally scheduled to be launched in 2024, such as *Daily Life of Chat Group* (聊天群的日常生活), *New Romance of the Three Kingdoms: The Legend of Cao Cao* (新三國志曹操傳) and *Naruto: Konoha Masters* (火影忍者: 木葉高手), were unable to be launched as scheduled in 2024, because more time was needed to conduct fine polishing due to changes in users’ demand, which led to longer version tuning cycle. The Group attaches great importance to product quality and has established special project working groups with various research and development partners to fully advance the project progress through measures such as

optimising resource allocation, strengthening technical collaboration, and improving the testing system. The Group will adhere to the “quality” strategy and strive to achieve the launch of these products in batches within 2025 under the premise of ensuring game quality, bringing players a better gaming experience.

Publishing of Innovative Mini Games in Mainland China

In 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, and ranked first among tower defence and match-three games. Another mini game *My Lord, Don’t Run* (主公別跑), published by the Group during the reporting period, recorded monthly gross billing exceeding RMB10 million for multi-months after its launch.

Innovative mini games, including *Battle of Ling Xiao* (凌霄戰紀) and *The National Gunlord – The Frontier* (全民槍神:邊境王者), published by the Group in the past years operated steadily during the reporting period and will keep updating game versions. While providing gaming services for players, these games will continue to provide steady revenue and profit for the Group.

Overseas Publishing of Games

During the reporting period, several newly launched IP quality games and previously launched games achieved solid revenue performance in overseas markets. In 2024, revenue from overseas businesses accounted for 14.1% of the Group’s revenue.

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), was 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 above three regions, 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. The game maintained its strong momentum in 2024, brought considerable revenue for the Group and was rated as the “Most Popular Original Online Games of 2024 (2024最受歡迎原創網絡遊戲)” by Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會).

The *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院), was launched in Hong Kong, Macau and Taiwan in August 2024. During the first week of its launch, 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 day. The Google Play Store in Hong Kong, Macau and Taiwan also recommended the game on their home page on the day of its launch.

Self-Development of Games

The Group has devoted itself fully to game research and development work in 2024. In 2024, the open world game, *Legend of Sword and Fairy: World* (仙劍世界), self-developed by the Group, was successively rated as the “The Most Anticipated Game of 2024” (2024年度最受期待遊戲) by the Huawei Developer Conference, the Mobile Hardcore Alliance, the vivo Developer Conference, the OPPO Developer Conference, the Honor Game, the Golden Plume Award (金翎獎), the Lenovo Tianxi-Eco Partner Conference, Xiaomi Partner Conference and other institutions.

A new legendary category game *Code: Dark Night Legend* (代號:暗夜傳奇) self-developed by Wenmai Hudong also finished its development in 2024. The gameplay of the game is in line with the previous successful game *The World of Legend - Thunder Empire* (傳奇世界之雷霆霸業) of Wenmai Hudong, which takes the core appeal of classic legendary game players as the design guide and retains the original legendary art style. In terms of gameplay designs, the *Code: Dark Night Legend* (代號:暗夜傳奇) fully keeps classic professional system, iconic maps, equipment collection systems, BOSS challenges, game instance, player versus player (“PVP”) and other core gameplays, while innovatively integrating guild society, cross-server competition and other characteristic functions, which not only satisfies sentimental needs of experienced payers, but also increases user attachment through social interactions, laying a solid foundation for long-term operation of products. The game will be officially released to players in the first half of 2025.

Street Basketball (全民街籃), a competitive game self-developed by Shanghai Zhoujing Network Technology Co., Ltd. (上海洲競網絡科技有限公司) (“**Shanghai Zhoujing**”), a subsidiary controlled by the Group, has implemented many tests during 2024. However, the testing data was unable to meet expectations, which also caused considerable losses to the Group. During the reporting period, the project has been transferred to a third party partner for adjustment and optimisation and publication.

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

During the reporting period, the revenue generated from the Group’s IP licensing was approximately RMB116.5 million.

In September 2024, the Group completed its acquisition of the overseas copyright of the *Legend of Sword and Fairy* (仙劍奇俠傳), which has greatly contributed to the unified planning of the *Legend of Sword and Fairy* (仙劍) IP. The creation of “the *Legend of Sword and Fairy* (仙劍) IP universe” is a very important core task for the Group’s IP licensing business segment. During this process, the Group pays attention to the in-depth communication and collaboration with partners to explore the potential of the *Legend of Sword and Fairy* (仙劍) IP together, striving to demonstrate the most characteristic culture of the *Legend of Sword and Fairy* (仙劍) in every aspect.

In terms of films and 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 the *Legend of Sword and Fairy* (仙劍) IP were successively broadcasted during the 2024 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 Penguin Pictures (企鵝影視), have been released in April 2024 and gained an excellent reputation.

For the derivatives development of the *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, and the crowdfunding scale of the classic weapon model series of *The Legend of Sword and Fairy* (仙劍) in cooperation with Alibaba Group's innovative entertainment platform - Alifish (阿里魚) has exceeded RMB10 million. 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 launch many art toys items 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 the 29th anniversary of *Legend and Sword and Fairy* (仙劍奇俠傳) 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 in Hangzhou, Zhejiang Province and Changzhou, Jiangsu Province in July 2024.

In April 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 used the talent resources of its EDG eSports club and its 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 procures Hopson Commercial Co., Ltd. (合生商業有限公司) (“**Hopson Commercial**”), an affiliated company, to leverage its offline business 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 IP games of 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 regime 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.

Social Responsibility

The Group has always fulfilled its social responsibility in different dimensions. The Group’s business does not have a significant impact on the environment. The Group has always adhered to the concept of environmental protection and integrated environmental protection and environmental management into its business decisions. The Group has established environmental, social and governance policies and procedures, and has incorporated the concept of sustainable development into its daily management to continuously enhance the environmental protection awareness of the employees of the Group. Through the implementation of paperless approval procedures and comprehensive use of web conferencing, the reduction of paper usage and the frequency of business travel, the Group has reduced carbon emissions and the impact of production and business operations on the natural environment. In 2024, the Group was rated as “ESG Comprehensive Governance Benchmarking Enterprises (ESG綜合治理標杆企業)” by the Economic Observer.

The Group has also been actively involved in the cause of 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. From 2017 to 2024, thirteen “CMGE Dream Libraries (中手游築夢圖書館)” have been successively constructed in Yunan, Guangdong Province, Zhengding, Hebei Province, Meihokou, Jilin Province, Yangchun, Guangdong Province, Jishan, Shanxi Province, Luxi, Jiangxi Province, Huoqiu, Anhui Province, Enshi, Hubei Province, Jiyuan, Henan Province, Heyuan, Guangdong Province, Jizhou, Tianjin Province, Ji’an, Jiangxi Province, Huayuan, Hunan Province. The thirteenth “CMGE Dream Library (中手游築夢圖書館)” was constructed at Solidarity Center Primary School (團結中心小學), Huayuan Town, Huayuan County, Xiangxi Tujiazu and Miaozi Autonomous Prefecture, Hunan Province in September 2024. By virtue of the public welfare project, “CMGE Dream Libraries (中手游築夢圖書館)”, in which the Group has had long-term commitment, the Group was recognised as the “Outstanding Enterprise of Social Responsibility of 2024 (2024年度社會責任傑出企業)” by Internet Weekly (《互聯網週刊》), and “Most Socially Responsible Listed Company (最具社會責任上市公司)” by Stockstar (證券之星).

The Group actively promotes industry self-discipline, purifies the cyber environment and ensures the healthy growth of minors. The Group has successively participated in the research and preparation 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)” so as to contribute to the promotion and implementation of the industry standardisation. The Group also strictly follows the relevant national policies, and all published games are embedded with a real-name authentication system, an anti-addiction system and age limit reminders, striving to ensure the healthy growth of minors. As of 2024, minor players under the age of 18 accounted for less than 0.01% of the Group’s revenue from games for five consecutive years.

2025 BUSINESS OUTLOOK

The Group stands firm on the development strategy of “business focus + cost control” against the current fierce competition in the industry and the challenges brought by the change in the external environment is tremendous. Business focus means the Group will spare no efforts to building core competitiveness. The Group enlarges the investments in self-developed products and continuously improves publishing services to outstrip users’ expectations on every detail. Cost control is another weapon that copes with external pressure and safeguards the healthy development of the enterprise. The Group will sort out its resources to maximise resource utilisation, deeply implementing AIGC applications for cost reduction and efficiency enhancement, optimising management processes, improving the efficiency of human resource management and reducing various expenses. In this process, the Group will stay committed to openness and cooperation, actively seeking win-

win cooperations with partners within and outside the industry. Through resource sharing and complementary strengths, the Group and its partners can jointly resist market risks and expand rooms for development. Under the market environment with supporting policies aiming to boost the domestic gaming industry, the Group will fully leverage its experience in implementing AI applications for cost reduction and efficiency enhancement during game development in the past two years, strive to deepen the usage of AI technologies for gameplay innovation on its gaming business and accelerate the progress toward the field of AI-native game innovation business.

The table below sets forth the product reserves planned to be published by the Group in 2025:

Projects	Latest progress	Platform	Category	Publishing area	License
1. <i>Chunqiu Mystery</i> (春秋玄奇)	Published in January 2025	Mobile/ mini-game	Card	Mainland China	Obtained
2. <i>Legend of Sword and Fairy: World</i> (仙劍世界)	Published in February 2025	Cross-platform	Open world role-playing game (“RPG”)	Mainland China	Obtained
3. <i>Tauren-T GO</i> (牛頭人GO)	Published in January 2025	Mobile	Tower defence and match-three	Hong Kong, Macau, Taiwan, Singapore and Malaysia	/
4. <i>Sanqian Huanshi</i> (三千幻世)	Initial beta test	Mobile/ Mini-game	Strategic card	Mainland China	Obtained
5. <i>Daily Life of Chat Group</i> (聊天群的日常生活)	Initial beta test	Mobile	RPG + card	Mainland China	Obtained
6. <i>New Romance of the Three Kingdoms: The Legend of Cao Cao</i> (新三國志曹操傳)	Second beta test	Mobile	Strategic RPG	Mainland China	Obtained
7. <i>Naruto: Konoha Masters</i> (火影忍者:木葉高手)	Initial beta test	Mobile	Idle card	Mainland China	Obtained
8. <i>Ultraman: Warrior of Light</i> (奧特曼:光之戰士)	Under development	Mobile	Card	Mainland China	Obtained
9. <i>Code: Dark Night Legend</i> (代號:暗夜傳奇)	Third beta test	Mobile/	Legendary	Mainland China	Application in progress
10. <i>New Rakshasa Street</i> (新鎮魂街)	Under development	Mobile/ mini-game	Idle card	Mainland China	Application in progress
11. <i>Code C</i> (代號C)	Under development	Mini-game	Card	Mainland China	Application in progress
12. <i>Code D</i> (代號D)	Under development	Mini-game	Card	Mainland China	Application in progress
13. <i>Fights Break Firmament: Peak Confrontation</i> (斗破蒼穹:巔峰對決)	Under development	Mobile	Action game (ACT)	HongKong, Macau and Taiwan	/
14. <i>Soul Land: Space and Time Reversal</i> (斗羅大陸:逆轉時空)	Under development	Mobile	Card	Asia	/
15. <i>Soul Land: Shrek Academy</i> (斗羅大陸:史萊克學院)	Under development	Mobile	MMORPG	Korea and Vietnam	/
16. <i>Dynasty Warriors: Hegemony</i> (真·三國無雙霸)	Under development	Mobile	Action game (ACT)	Japan	/
17. <i>Code A</i> (代號A)	Under development	Mobile	Card	HongKong, Macau and Taiwan	/
18. <i>Code B</i> (代號B)	Under development	Mobile	Card+ Tower defence	HongKong, Macau and Taiwan	/

Global Publishing of IP Quality Games and Innovative Mini Games

Publishing of IP Quality Games in Mainland China

Various IP quality games prepared by the Group for long time, such as *Daily Life of Chat Group* (聊天群的日常生活), *New Romance of the Three Kingdoms: The Legend of Cao Cao* (新三國志曹操傳), *Naruto: Konoha Masters* (火影忍者:木葉高手), *New Rakshasa Street* (新鎮魂街) and *Ultraman: Warrior of Light* (奧特曼:光之戰士) have gone through multiple rounds of adjustments and optimisations, and are set to be launched successively in 2025.

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), opened player reservation in August 2024, started its tests in December 2024 and is planned to be launched in the first half of 2025. Players in the game can rencontre classic characters, such as Uzumaki Naruto (鳴人), Uchiha Sasuke (佐助), Haruno Sakura (小櫻) and Hatake Kakashi (卡卡西) through original voice actors, and immerse in the strategic fun brought by a new insight of vertical screen mode.

Licensed by Koei Tecmo Games Co., Ltd. and adapted from a classic game *Three Kingdoms: The Legend of Cao Cao* (三國志曹操傳), a multi-domain strategical RPG mobile game *New Romance of the Three Kingdoms: The Legend of Cao Cao* (新三國志曹操傳) began its first paid test in August 2024 and the second paid test - "Competing Test (逐鹿測試)" in February 2025. It is planned to be launched in 2025. The game *New Romance of the Three Kingdoms: The Legend of Cao Cao* (新三國志曹操傳) has been meticulously developed over four years, with grand original storylines and biography that intertwine to present a sweeping epic of the Three Kingdoms. The game features uniquely designed and diverse battlefields with over 200 historical generals, more than 30 terrain types and 8 weather conditions. Combining unit type advantage and Zone of Control (ZOC) mechanics, the game offers players a rich tactical strategy experience.

Ultraman: Warrior of Light (奧特曼:光之戰士), a 3D combat card game based on the official Ultraman IP, has received its game licence approval, as confirmed in the recent announcement of new game licence approvals by the National Press and Publication Administration on 20 January 2025. The game will soon begin full-channel pre-registration, offering players an exciting adventure journey. This game is scheduled to be launched within 2025. Through an immersive experience, players will step into the Ultraman universe, feeling the fusion of classic IP with modern technology. *Ultraman: Warrior of Light* (奧特曼:光之戰士) innovatively combines card strategy and 3D combat gameplay. Players can collect cards from the entire Ultraman series and build the strongest team through strategic combinations and upgrades. Characters possess their iconic skills and attacks, requiring players to strategically combine cards and tackle challenges. The game deeply integrates classic Ultraman elements with strategic card gameplay, preserving the exciting elements of the IP while introducing a new dimension of strategic progression. Players will have a unique experience that blends nostalgia with innovation.

The Group's mobile game projects, developed under the authorised IP *Code: DreamWorks All Stars* (代號:夢工廠全明星) licensed from licensing companies of Universal Studios and *Code: Disney All Stars* (代號:迪士尼全明星) licensed from Walt Disney Company (China) Limited, are expected to complete research and development and enter beta phases within 2025.

With extensive long-term operation experience, the Group has sustained lifespans for multiple quality IP games far exceeding industry averages. For instance, *One Piece: the Road of the Strong* (航海王強者之路) has remained in operation for over 9 years and it still maintains stable revenue performance. The Group extended its long-term operation experience to other games including *One Piece: The Voyage* (航海王熱血航線), *Legend of Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), and *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院), all of which have formulated detailed version update schedules and player reward programs, delivering high-quality gaming services for players and generating stable profits for the Group.

Publishing of Innovative Mini Games in Mainland China

In January 2025, the Group published a new mini game *Chunqiu Mystery* (春秋玄奇), which ranked 24th in the Best Selling List of WeGame in the first month of its launch, raced to 10th in the second month and its ranking continued to rise. Its payment retention rate significantly outperformed that of same types of products. *Chunqiu Mystery* (春秋玄奇) achieved cumulative gross billing exceeding RMB100 million within three months of its launch and its revenue performance has surpassed expectations. Based on the outstanding market performance of *Chunqiu Mystery* (春秋玄奇) in 2025, the Group will step up advertising and increase more exposure for it in 2025. The game is expected to achieve an even better result in 2025 and contribute profit to the Group on an ongoing basis.

A new pixelated mini game *Sanqian Huanshi* (三千幻世) collected more than 10 top-tier Chinese anime IPs will be launched by the Group in the first half of 2025, with the official authorisation by Tencent's WeComics. The game is bound to give players a unique experience. *Sanqian Huanshi* (三千幻世) has once soared to the second of the TapTap pre-registration list. Leveraging a wealth of experience of the Group in IP game development and mini-game operations, the Group expresses confidence in the market prospects of this game. The Group estimated that the successful launch of the game would further solidify its leading position in the mini game and inject new forces for the Group's overall performance.

The National Gunlord – The Frontier (全民槍神:邊境王者), the Group's first mini game launched in 2019, has maintained stable operations for six years. As an influential mini game in FPS field, it achieved leapfrog growth amid fierce market competition. As of 31 December 2024, the game's all-channel active users reached 91 million, with total registered users surpassing 600 million. This massive user base

not only strongly demonstrates players' passion for the game, but also reflects its impressive game brand popularity. Meanwhile, the game adheres to the concept of high-frequency updates, releasing pristine contents continuously, and each update strives to fulfill players' increasingly diversified demands. Leveraging the above strengths, *The National Gunlord – The Frontier* (全民槍神:邊境王者) has become a successful mini game with an exceptionally long lifecycle, and will continue to contribute profits to the Group together with other innovative mini games previously published.

According to the official data of Tencent, there is only a 35% overlap rate between paying users in mini-games and traditional mobile game market, which indicates a low overlap rate between mini-game and traditional mobile game paying users. Innovative mini games will attract more new users to the gaming industry and become a new driver for the Group's business growth in 2025.

Overseas Publishing of Games

In January 2025, the mini game *Tauren-T GO* (牛頭人GO) published by the Group was officially launched in Hong Kong, Macau, Taiwan, Singapore and Malaysia, and surged to No.1 on the Top Free Game List of Apple's App Store in Hong Kong, Taiwan and Singapore in 4 days after its launch. It is also the overseas version of *Smash* (消個錘子), the Group's successful and innovative mini game launched in Mainland China.

In terms of overseas publishing, the Group will successively launch *Fights Break Firmament: Peak Confrontation* (斗破蒼穹:巔峰對決) in Hong Kong, Macau and Taiwan, *Soul Land: Space and Time Reversal* (斗羅大陸:逆轉時空) and *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院) in Asia regions, as well as *Dynasty Warriors: Hegemony* (真·三國無雙霸) in Japan in 2025.

In 2025, the Group plans to sign cooperation contracts with multiple successful game products with top ranking. Currently, the cooperation projects *Code A* (代號A) and *Code B* (代號B) have been confirmed and will be published in overseas markets within 2025. The new games released in overseas markets, together with the previously launched games, will increase overseas business revenue for the Group.

Self-Development of Games

Legend of Sword and Fairy: World (仙劍世界) was officially launched on 19 February 2025. Millions of players have downloaded and participated in the game, giving the project team sincere suggestions and feedbacks such that the Group can know the existing problems of the game and its room for optimisation. Currently, *Legend of Sword and Fairy: World* (仙劍世界) has several large defects. For example, the game has an overly large volume, causing it to have high reliance for hardware performance of mobile phones and resulting in poor experience of

mobile users. The game has poor visual quality in mobile terminals with low image quality and dim lighting. The early gameplay lacks effective guidance for new users, resulting in severe user attrition and poor commercial performance. All these defects have seriously affected the game's market performance and revenue in the first month fell short of expectations. The project team of *Legend of Sword and Fairy: World* (仙劍世界) immediately prioritised fixing and optimising works for issues occurred in the game. On 18 March 2025, a latest optimised version was deployed, demonstrating that the Group is trying its best to improve player experience. The sequel version and planning of the game will continue to iterate on the basic image quality, operation and interactivity, the streamlining of the main storyline, the adjustment and optimisation of core gameplay as well as game enjoyment, accelerate the resolution of the game's problems and bugs collected from enthusiastic players, and ensure continuous content updates and long-term operations. Considering the long-term development of the *Legend of Sword and Fairy: World* (仙劍世界) project, in order to better adapt to market changes and improve research and development efficiency, the Group has optimised and adjusted the relevant work functions and modules of the research and development team, ensuring that the team maintains its sustainable development capability in the fast-changing market. After the adjustment, the core research and development resources will be concentrated on critical areas which directly affect players' experience, including version development, gameplay innovation and technical breakthroughs. Such resources will also be focused on the improving adjustment and optimisation of *Legend of Sword and Fairy: World* (仙劍世界) and development efficiency of new versions. Meanwhile, the Group will strengthen communication with players, enabling them to clearly follow new versions and understand the optimisation progress of current version through developer logs. The Group will also improve the transparency of version updates and optimisation, so as to not disappoint our players. With the optimisation and adjustment and efficiency improvement of our team, *Legend of Sword and Fairy: World* (仙劍世界) will sustain the scheduled adjustment and optimisation and publication plan of subsequent versions, and maintain subsequent steady operation in 2025.

A new self-developed legendary game *Code: Dark Night Legend* (代號:暗夜傳奇) by Wenmai Hudong is scheduled to be launched in the first half of 2025 officially. With Wenmai Hudong's abundant experience and professional technology superiority cultivated in the development of legendary games over the years, a 8-month exquisite polishing with multiple tests, adjustments and optimisation on *Code: Dark Night Legend* (代號:暗夜傳奇) helped the game to reach an industry-leading level concerning product quality and user experience. Given the excellent performance of former self-developed game *The World of Legend - Thunder Empire* (傳奇世界之雷霆霸業), which the highest monthly gross billing exceeded RMB200 million, *Code: Dark Night Legend* (代號:暗夜傳奇) made remarkable breakthrough in respect of innovative core gameplay, social system improvement, commercialised

design and others. In terms of artistic design, *Code: Dark Night Legend* (代號: 暗夜傳奇) achieves a refined balance between heritage and innovation. By utilising rendering technology of next generation to improve image performance, the game creates game scenarios and character appearances with more visual impact. These artistic innovations will enable the game to appeal to younger users while satisfying core users' preferences, thereby increasing user acquisition of the game. In terms of user guidance, the game implements a progressive experience system specifically designed for casual users. Through a streamlined tutorial system, clear objective setting, and a phased gameplay unlocking mechanism, new players can rapidly develop game awareness. These game mechanisms ensure continuous goal and novelty attainment while subtly guiding players to accept and like the core legendary gameplay, ultimately realising the natural conversion from casual to core players. This design philosophy preserves new players' initial experience while ensuring the healthy development of the game ecosystem and effectively boosting retention rates and activeness of users. In terms of gameplay innovation, the game innovatively introduces social interaction functions including guilds and cross-server competitions. These mechanics not only strengthen user stickiness, but also elevate their payment willingness, thus enhancing the game's profitability. Therefore, the Group believes the game will not only continue the market performance of its predecessor, but will also achieve new breakthroughs in multiple dimensions such as user scale, revenue contribution and brand influence. It will become another outstanding self-developed product of Wenmai Hudong, providing strong support for the Group's continuous efforts in the research and development of self-developed games.

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

The upcoming 2025 will embrace the 30th anniversary of *Legend of Sword and Fairy* (仙劍奇俠傳). To mark the occasion, the Group will initiate a series of celebratory events. *Legend of Sword and Fairy: World* (仙劍世界) launched in February 2025 brings *Legend of Sword and Fairy* (仙劍) IP to new chapter. A wide range of activities were well-planned for the anniversary, covering films and television series, comics and animation and games accompanied by immersive online and offline experiences. Through hosting themed animation exhibitions, immersive game experience museum, large-scale comic conventions, themed music festival, celebratory carnival and other activities, these activities do not only provide an interactive platform for new and existing fans but also create a unique room for them to share memories and heritages. In this way, all fans will be able to resonate emotionally in the *Legend of Sword and Fairy* (仙劍) universe, further improving user attachment and brand recognition.

The Group has strategically cooperated with Tencent's Penguin Pictures (企鵝影視) to jointly produce the animation series of *Legend of Sword and Fairy 3* (仙劍奇俠傳三) and is also driving the development of the animation series of *Legend of Sword and Fairy 1* (仙劍奇俠傳一) in collaboration with high-quality partners. The animation series of *Legend of Sword and Fairy 3* (仙劍奇俠傳三) is scheduled to be released on Tencent Video in 2025. The production of the animation series of *Legend of Sword and Fairy 4* (仙劍奇俠傳四), which will be jointly launched by the Group and Bilibili, has also begun.

The novel of *Legend of Sword and Fairy 1* (仙劍奇俠傳一) jointly published by the Group and CITIC Press Corporation (中信出版集團股份有限公司) was released in January 2025. *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 2025.

The Group will work closely with every partner to continuously release new products by developing derivative works of *Legend of Sword and Fairy* (仙劍) IP. In 2025, the Group will launch more statues with higher collection value in the field of collectable statues, and the statues with professional modelling institutions, such as TriEagles, Taya Studio (田也工作室), Lightyear Studio (光年工作室) and STAREXVA Studio (Star Club) (STAREXVA工作室 (星星社)) will be released in the market one by one. With the continuous release of various works of *Legend of Sword and Fairy* (仙劍) IP, the Group believes that revenue from related derivative works and licensing is expected to increase further.

The mobile game *Legend of Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), launched by the Group, is currently operating steadily and will continue to generate IP revenue sharing for the Group. The new standalone game series of *Legend of Sword and Fairy* (仙劍) franchise enters the preparation phase in 2025. The story for this new series will be designed with a longer-term perspective, involving an expansive narrative that will span the equivalent of three similar standalone games. This approach will not only address the issue of narrative continuity between multiple standalone titles but will also make the entire series grander and more cohesive. The relevant outline has been completed, and the next step will be to collaborate with industry-leading partners to advance the animation and game's development. The development of the standalone game *Legend of Sword and Fairy 4: Remake* (仙劍奇俠傳四重製版) is progressing orderly, with the first promotional video released in 2024. It will soon be officially presented to players. The Group is also actively promoting the collaborative development of the remastered version of standalone game *Legend of Sword and Fairy 1* (仙劍奇俠傳一). In the future, the Group intends to explore new collaborations in the fields of turn-based games and innovative mini games with top industry partners to develop more exciting games under *Legend of Sword and Fairy* (仙劍) franchise.

Since the release of *Legend of Sword and Fairy: World* (仙劍世界) for PC, mobile and cloud gaming in February 2025, the Group instantly initiated a user-generated content (“UGC”) co-creation activity via platforms like Sina Weibo, Douyin, Bilibili, TapTap, Rednote and the Sword and Fairy Alliance (仙劍聯盟). Every creator was invited to participate in the theme song cover, cosplay (“COS”), fan-made art, fan fiction and game walkthrough with user co-creation as the core to foster IP ecosystem growth. The activity featured a large and diverse resource pool amounting to millions, including cash prizes, internet traffic support from different platforms and business cooperation opportunities, was offered to excellent creators, enabling their work to attract a wider audience. By bridging UGC creation and official operations, the activity motivated users’ enthusiasm for content generation, while feeding off the game ecosystem through quality work to drive IP value growth in the long run. *Legend of Sword and Fairy: World* (仙劍世界) integrated intangible heritages such as Suzhou Pingtan (蘇州評彈) and Guqin (古琴, an ancient musical instrument), revitalising traditional culture through its interactive gameplay. At the same time, Luo Jiyi (駱集益), a music producer of *Legend of Sword and Fairy* (仙劍), created dynamic background music (“BGM”) targeting exploration, combat, character shaping and other diverse scenarios for the open world of *Legend of Sword and Fairy: World* (仙劍世界), to seamlessly integrate music and gameplay in complete harmony and enhance immersion in the game. Memories of *Legend of Sword and Fairy* (仙劍) IP were reawakened because the classic melody of the IP was recomposed in a modern way. An exclusive and limited vinyl record released under the name of “*Legend of Sword and Fairy: World* (仙劍世界)×Luo Jiyi (駱集益)” has been put out as a benefit for players, amplifying *Legend of Sword and Fairy* (仙劍) musical influence through cross-media method.

Legend of Sword and Fairy · Immersive Game Center (仙劍奇俠傳 · 沉浸劇場), located in Shanghai, was officially opened in January 2025 and hosted an offline activity themed “Meeting the Sword” for the 30th anniversary of *Legend of Sword and Fairy*. The *Legend of Sword and Fairy · Immersive Game Center* (仙劍奇俠傳 · 沉浸劇場) skillfully combines the character story of *Legend of Sword and Fairy 1* (仙劍一), *Legend of Sword and Fairy 3* (仙劍三) and *Legend of Sword and Fairy 4* (仙劍四) and re-adapts to more than 500 questlines. Players will experience immersive interactions with professional actors in a primely constructed real-scene ancient theatre and enjoy the fun of unlocking the story.

During *Legend of Sword and Fairy* (仙劍) IP operations, the Group integrates the *Legend of Sword and Fairy* (仙劍) with traditional Chinese culture to explore new avenues for cultural export positively. Organising offline cultural activities, developing derivatives and cooperating with traditional cultural institutions can widen IP impact and facilitate the inheritance and innovation of traditional Chinese culture nowadays. *Legend of Sword and Fairy* (仙劍) will be imaged to users vividly and intuitively by way of virtual reality experience, online interactive exhibition and offline interactive show, further raising the international influence of Chinese culture.

Last but not least, thanks to all colleagues for their hard work and perseverance, investors for their long-term trust and support and our users for their enduring passion on the Group’s games, all of which are the source of motivation for the Group to continuously progress and improve. The Group firmly believes that with continuous enhancement of self-development capability and optimisation of product structure, the Group will improve the game quality to a new level. At the same time, the Group will deepen strategic cooperation with partners. The Group will surely stand out in the fierce market competition and show our strength. Also, the Group will increase the research and development investments in AIGC technology and market trends and actively explore future development paths of the gaming industry, to realise steadier growth and create more glorious performance in the forthcoming 2025 and beyond. A time will come to ride the wind and cleave the waves, setting cloud-like sail to cross the sea which raves. 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), and be a company that is full of passion and creativity!

By order of the Board

XIAO Jian

Chairman

Hong Kong, 27 March 2025

Management Discussion and Analysis

As of 31 December 2024, the Group had a vast IP reserve of a total of 119 IPs, comprising 51 licensed IPs and 68 proprietary IPs.

The table below sets forth the Group’s revenue and gross billings derived from its IP-based games and non-IP based games for the years indicated:

	For the year ended	
	31 December	
	2024	2023
	Revenue	Revenue
	RMB’000	RMB’000
IP-based games		
(i) licenced and proprietary IPs held by the Group	1,019,207	1,631,293
(ii) IPs held by game developers	34,804	68,903
Non-IP based games	876,080	905,688
Total	<u>1,930,091</u>	<u>2,605,884</u>

The Group is committed to creating a highly competitive IP-based game ecosystem. Apart from proprietary IPs, the Group also actively obtained a large number of selected licenced IPs from third parties and adapted them into premium IP-based games for users. For the year ended 31 December 2024, the Group’s total number of IP games in operation reached 19 and total revenue generated from the Group’s IP games reached RMB1,054.0 million.

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 years indicated:

	For the year ended	
	31 December	
	2024	2023
Average MAUs (<i>thousands</i>)	14,713	17,057
Average MPUs (<i>thousands</i>)	1,015	1,189
ARPPU (<i>RMB</i>)	158.5	182.6
Total new registered users (<i>thousands</i>)	74,536	92,870

The newly released mini games during the reporting period, including *Smash* (消個錘子) and *My Lord, Don’t Run* (主公別跑), along with mini games that were released in previous years, including *Battle of Ling Xiao* (凌霄戰紀) and *The National Gunlord – The Frontier* (全民槍神:邊境王者), have expanded the number of lite-game players and elevated the scale of new users and active users. However, the average MAUs, average MPUs and ARPPU declined as the market performance of some games launched by the Group during the reporting period failed to meet the expectation, and certain games previously launched by the Group entered the late stage of their life cycles. The Group had approximately 74.5 million newly registered users in 2024.

The Group received the following main awards and recognitions for the quality and popularity of its games or services, as well as the contributions to social responsibility:

Award/Recognition	Date of Award	Awarding Institution/Authority
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)
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)
Guangdong Top 500 Enterprise (廣東省企業500強)	September 2024	Enterprise Association of Guangdong (廣東省企業聯合會) and Entrepreneur Association of Guangdong (廣東省企業家協會)
Top 100 Modern Service Industry Enterprises (現代服務業企業TOP100)	September 2024	Enterprise Association of Shenzhen (深圳市企業聯合會), Entrepreneur Association of Shenzhen (深圳市企業家協會)
Most Socially Responsible Listed Company (最具社會責任上市公司)	November 2024	Stockstar (證券之星)
“Golden Finger Award” as Outstanding Enterprise in the Chinese Game Industry 2024 (2024年度金手指獎中國遊戲行業優秀企業)	November 2024	The 20th Chinese Game Industry Annual Conference 2024 (《2024(第二十屆)中國遊戲行業年會》) of China Culture and Entertainment Industry Association (中國文化娛樂行業協會)
“Golden Plume Award” as Most influential Mobile Game Publisher (金翎獎最具影響力移動遊戲發行商)	November 2024	Shanghai Hanwei Xinheng Exhibition Co., Ltd (上海漢威信恒展覽有限公司)
Most Valuable Digital Economy Enterprise (最具投資價值數字經濟企業)	December 2024	Cailianpress (財聯社)
Top 20 Guangdong Game Enterprises of “Golden Diamond Award” 2024 (金鑽榜2024年度廣東遊戲企業20強)	January 2025	Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The following table sets forth the comparative figures for the years ended 31 December 2023 and 2024:

	For the year ended	
	31 December	
	2024	2023
	RMB'000	RMB'000
Revenue	1,930,091	2,605,884
Cost of sales	<u>(1,327,033)</u>	<u>(1,662,782)</u>
Gross Profit	603,058	943,102
Other income and gains, net	108,268	117,426
Selling and distribution expenses	(494,316)	(306,494)
Administrative expenses	(137,897)	(155,700)
Research and development costs	(244,255)	(370,256)
Impairment of financial and contract assets, net	(255,573)	(89,936)
Other expenses		
– Impairment of goodwill	(546,759)	(65,477)
– Write-off of prepayments	(211,827)	(26,858)
– Fair value losses on financial assets at fair value through profit or loss	(696,299)	(33,538)
– Impairment of other intangible assets	(211,557)	(3,094)
– Others	(39,883)	(18,811)
Finance costs	(19,852)	(19,638)
Share of losses of a joint venture	—	—
Share of profits and losses of associates	<u>4,010</u>	<u>3,545</u>
Loss before tax	(2,142,882)	(25,729)
Income tax credit/(expense)	<u>32,063</u>	<u>(12,312)</u>
Loss for the year	<u>(2,110,819)</u>	<u>(38,041)</u>
Attributable to:		
Owners of the parent	(2,105,005)	(20,079)
Non-controlling interests	<u>(5,814)</u>	<u>(17,962)</u>
	<u>(2,110,819)</u>	<u>(38,041)</u>
Adjusted net loss/(profit)	<u>(2,077,723)</u>	<u>5,379</u>

Adjusted net (loss)/profit

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

	For the year ended 31 December	
	2024 RMB'000	2023 RMB'000
Loss for the year attributable to owners of the parent	(2,105,005)	(20,079)
Add		
(i) Equity-settled share-based expense	<u>27,282</u>	<u>25,458</u>
Adjusted net (loss)/profit	<u>(2,077,723)</u>	<u>5,379</u>

Revenue

The Group's revenue decreased by approximately 25.9% from RMB2,605.9 million for the year ended 31 December 2023 to RMB1,930.1 million for the year ended 31 December 2024.

Revenue by category:

	For the year ended 31 December			
	2024		2023	
	RMB'000	%	RMB'000	%
Game publishing	1,664,508	86.2	2,133,803	81.9
Game development	149,122	7.7	215,105	8.3
IP Licensing	116,461	6.1	256,976	9.8
Total	<u>1,930,091</u>	<u>100.0</u>	<u>2,605,884</u>	<u>100.0</u>

- (i) The Group's game publishing revenue decreased by 22.0% from RMB2,133.8 million for the year ended 31 December 2023 to RMB1,664.5 million for the year ended 31 December 2024. During the reporting period, the Group's newly launched mobile games *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院), *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) achieved high rankings on various game charts upon release. Additionally, several mini games, including *Smash* (消個錘子), *My Lord, Don't Run* (主公別跑), *Battle of Ling Xiao* (凌霄戰紀) and *The National Gunlord – The Frontier* (全民槍神:邊境王者), delivered strong revenue performance. However, multiple games originally scheduled for launch during the reporting period experienced varying degrees of version optimization delays, resulting in postponed releases. The revenue performance of the newly launched game *Fights Break Firmament: Peak Confrontation* (斗破蒼穹:巔峰對決) and *Soul Land: Shrek Academy* (斗羅大陸:逆轉時空) failed to meet expectation, and the revenue from certain launched games that entered its late life cycle declined, leading to a decrease in publishing revenue compared to the same period last year;
- (ii) The Group's game development revenue decreased by 30.7% from RMB215.1 million for the year ended 31 December 2023 to RMB149.1 million for the year ended 31 December 2024. The self-developed game under the *Legend of Sword and Fairy* (仙劍) IP, *Legend of Sword and Fairy: World* (仙劍世界), successfully completed its research and development in 2024. Regrettably, its initial launch schedule has been set for 2025, which prevented it from entering the market within 2024 and caused it to miss a valuable opportunity to contribute to the Group's revenue during the reporting period. Meanwhile, *Code: Dark Night Legend* (代號:暗夜傳奇), a game under the legendary category, independently developed by Wenmai Hudong, completed development and entered the testing phase in 2024. However, its testing period exceeded the expected timeline, resulting in the game not being launched during the reporting period; *Street Basketball* (全民街籃), the competitive game self-developed by Shanghai Zhoujing, failed to reach the target several times in 2024 and was not released; and
- (iii) The revenue generated from the Group's IP licensing decreased by 54.7% from RMB257.0 million for the year ended 31 December 2023 to RMB116.5 million for the year ended 31 December 2024.

Cost of sales

The Group's cost of sales consists primarily of (i) commissions charged by publishing channel and content providers ("CPs"); (ii) commissions charged by IP owners; and (iii) amortisation of royalties from games and IPs held by third-party game developers and the Group. 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 years indicated:

	For the year ended 31 December			
	2024		2023	
	RMB'000	% to Revenue	RMB'000	% to Revenue
Commissions charged by publishing channels and CPs	1,027,361	53.2	1,264,338	48.5
Commissions charged by IP owners	81,314	4.2	151,989	5.8
Amortisation of game royalties	41,479	2.1	143,189	5.5
Amortisation of IP royalties	59,655	3.1	20,838	0.8
Others	117,224	6.1	82,428	3.2
Total	1,327,033	68.7	1,662,782	63.8

The Group's cost of sales decreased by 20.2% from RMB1,662.8 million for the year ended 31 December 2023 to RMB1,327.0 million for the year ended 31 December 2024. Such decrease 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, CPs and IP owners; (ii) during the reporting period, the licensing contracts relating to various IPs expired, the amortisation of IP royalties has increased. The Group's amortisation of IP royalties increased by 186.3% from RMB20.8 million for the year ended 31 December 2023 to RMB59.7 million for the year ended 31 December 2024.

Gross profit and gross profit margin

The Group's gross profit decreased by 36.1% from RMB943.1 million for the year ended 31 December 2023 to RMB603.1 million for the year ended 31 December 2024. The Group's gross profit margin decreased from 36.2% for the year ended 31 December 2023 to 31.2% for the year ended 31 December 2024. The decrease in gross profit margin was mainly due to the fact that the Group's game development revenue decreased during the reporting period and various self-developed games produced by Wenmai Hudong were launched through third party channel operators, resulting in an increase in channel costs corresponding to game development revenue, thus decreasing the gross profit margin.

Other income and gains

The Group's other income and gains consist primarily of (i) bank interest income; (ii) government grants; and (iii) fair value adjustment of contingent consideration. The table below sets forth the Group's other income and gains by category for the years indicated:

	For the year ended 31 December			
	2024		2023	
	RMB'000	%	RMB'000	%
Bank interest income	773	0.7	1,567	1.3
Government grants	5,631	5.2	28,680	24.4
Fair value adjustment of contingent consideration	100,000	92.4	68,925	58.7
Dividend income from financial assets at fair value through profit or loss	—	—	10,569	9.0
Others	1,864	1.7	7,685	6.6
Total	108,268	100.0	117,426	100.0

The Group's other income and gains decreased by 7.8% from RMB117.4 million for the year ended 31 December 2023 to RMB108.3 million for the year ended 31 December 2024. The decrease was mainly due to (i) less government grants have been obtained by the Group during the reporting period; and (ii) no gains from investment dividends and foreign exchange were recorded during the reporting period; both of which have been partly offset by the fair value adjustment of contingent consideration 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 welfare. 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 year ended 31 December			
	2024		2023	
	RMB'000	% to Revenue	RMB'000	% to Revenue
Marketing and promotion expenses	468,317	24.3	262,741	10.1
Salaries and welfare	19,102	1.0	34,117	1.3
Depreciation and amortisation	1,092	0.1	3,830	0.2
Others	5,805	0.3	5,806	0.2
Total	494,316	25.7	306,494	11.8

The Group's selling and distribution expenses increased by 61.3% from RMB306.5 million for the year ended 31 December 2023 to RMB494.3 million for the year ended 31 December 2024. The Group continued to optimise organisational operation efficiency and streamline its staff, and actively controlled the cost of relevant sales personnels, resulting in a continuous decrease in relevant salaries and welfare expenses. The increase in selling and distribution expenses during the reporting period was mainly due to the fact that: (i) new IP games, i.e. *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院), *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) were published by the Group in 2024, as well as a number of WeChat mini games, such as *Smash* (消個錘子) and *My Lord, Don't Run* (主公別跑), resulting in more marketing expenses being incurred during the launch of new games; (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 the promotion stage during the reporting period, resulting in an increase in related promotion expenses; and (iii) user reservation promotion and marketing related to *Legend of Sword and Fairy: World* (仙劍世界) have been increased before its launch in 2024, resulting in more promotional expenditures.

Administrative expenses and research and development costs

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

	For the year ended 31 December			
	2024		2023	
	RMB'000	% to Revenue	RMB'000	% to Revenue
Research and development costs	244,255	12.7	370,256	14.2
Salaries and welfare for management and administrative departments	88,159	4.6	87,147	3.4
Office costs and utilities	46,982	2.4	49,752	1.9
Others	2,756	0.1	18,801	0.7
Total	382,152	19.8	525,956	20.2

The Group's administrative expenses and research and development costs decreased by 27.3% from RMB526.0 million for the year ended 31 December 2023 to RMB382.2 million for the year ended 31 December 2024. The decrease was primarily attributable to the sustaining application of innovative AIGC technology on game development has practically reduced the cost in art creation, content writing, game dubbing and game testing. Research and development costs decreased by 34.0% from RMB370.3 million for the year ended 31 December 2023 to RMB244.3 million for the year ended 31 December 2024; and the Group actively promoted adjustments for reducing costs and improving efficiency and strictly controlled salaries and office costs for management and administrative departments. The office costs decreased by 5.6% from RMB49.8 million for the year ended 31 December 2023 to RMB47.0 million for the year ended 31 December 2024. As the Group issued new share options during the reporting period, the salaries and welfare increased slightly compared with the same period last year.

Impairment of financial and contract 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 management policies under HKFRS 9, the impairment loss on financial and contract assets recorded by the Group increased by 184.2% from RMB89.9 million for the year ended 31 December 2023 to RMB255.6 million for the year ended 31 December 2024. The increase was mainly due to: (i) given the Group has initiated legal proceedings against some of its partners who failed to perform their contractual obligations, impairment for pending litigation of RMB63.8 million and for other outstanding receivables of RMB15.9 million were made during the reporting period. The Group keeps negotiating with professional lawyers to protect its legitimate rights and interests in a practical manner; and (ii) during the reporting period, the credit terms of some trade receivables were extended, thus the Group provided impairment of RMB175.8 million. The Group is in close communication with the counterparties to procure them to make the relevant payments.

Other expenses

The Group's other expenses increased by 1,054.7% from RMB147.8 million for the year ended 31 December 2023 to RMB1,706.3 million for the year ended 31 December 2024. The increase was primarily attributable to: (i) Wenmai Hudong and Shanghai Zhoujing recorded loss due to its underperformance in 2024, and the Group recorded goodwill impairment of Wenmai Hudong of approximately RMB529.9 million and that of Shanghai Zhoujing of approximately RMB16.8 million; (ii) financial assets at fair value through profit or loss recorded loss of RMB696.3 million assessed by a third party agency, because for the year ended 2024 the revenue of certain investee companies of the Group failed to meet expectations in 2024 due to a combination of adverse factors, such as intensifying market competition, the

mounting difficulty of product innovation and weak consumption; (iii) during the reporting period, the Group recorded impairment of intangible assets for research and development expenditures of *Legend of Sword and Fairy: World* (仙劍世界) of approximately RMB157.7 million and the impairment of other intangible assets of approximately RMB53.9 million, such as IP licences and CP licences; and (iv) write-off of prepayments of approximately RMB211.8 million for the abandoned releases and contracts matured of game and IP licences.

Finance costs

The Group's finance costs mainly consist of interest expenses, which increased by 1.1% from RMB19.6 million for the year ended 31 December 2023 to RMB19.9 million for the year ended 31 December 2024, mainly due to an increase in interest expenses of the bank borrowings of the Group.

Share of loss of a joint venture

Shenzhen Boliang Technology Co., Ltd. (深圳博良科技有限公司), which was regarded as the joint venture of the Group under the applicable accounting policies, has been deregistered during the year ended 31 December 2024. As at 31 December 2023, the Group held a 60% equity interest in the said joint venture.

The Group's share of loss of a joint venture for the year ended 31 December 2024 was nil (for the year ended 31 December 2023: Nil).

Share of profits and losses of associates

The Group's share of profits and losses of associates increased from a profit of RMB3.5 million for the year ended 31 December 2023 to a profit of RMB4.0 million for the year ended 31 December 2024, which mainly included share of profit of Shenzhen Zhichengqianli Investment Enterprise (Limited Partnership) (深圳市志成千里投資企業 (有限合夥)) of RMB6.3 million and share of loss of Shanghai Fengguo Network Technology Co., Limited (上海蜂巢網絡科技有限公司) of RMB2.5 million.

Loss before tax

As a result of the foregoing, the Group's loss before tax increased from a loss of RMB25.7 million for the year ended 31 December 2023 to a loss of RMB2,142.9 million for the year ended 31 December 2024.

Income tax credit/expense

The Group's income tax credit/expense turned from an expense of RMB12.3 million for the year ended 31 December 2023 to a credit of RMB32.1 million for the year ended 31 December 2024. It was mainly because the Group recognised deferred income tax credit of RMB56.3 million.

Loss for the year

As a result of the foregoing, the Group's loss for the year increased from a loss of RMB38.0 million for the year ended 31 December 2023 to a loss of RMB2,110.8 million for the year ended 31 December 2024.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 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 RMB210.6 million and RMB101.8 million as at 31 December 2023 and 2024, respectively. For the purpose of the 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 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; (iv) the net proceeds received from the subscription of new ordinary shares of the Company ("**Shares**") by Farrich Investments Limited completed on 22 July 2024 (the "**First Subscription**"); and (v) the net proceeds received from the subscriptions of new Shares by Infini Global Master Fund, Farrich Investments Limited and Actoz Soft Hong Kong Limited completed on 22 October 2024 (the "**Second Subscription**"). The Group currently does not have any plans for material additional external financing.

Indebtedness

For the year ended 31 December 2024, the Group obtained bank and other loans of RMB627.2 million and repaid bank and other loans of RMB609.4 million.

As at 31 December 2024, the Group had bank and other borrowings of RMB512.8 million (2023: RMB495.0 million). The effective interest rates on the Group's unsecured bank loans of RMB462.0 million (2023: RMB495.0 million) and unsecured other loans of RMB22.0 million (2023: nil) range from 2.0% to 4.7% and 5.0% to 12.0% respectively. The Group's secured bank loans of RMB28.8 million (2023: nil) were interest free and were secured by the Group's bills receivable of RMB28.8 million as at 31 December 2024.

As at 31 December 2024, the lease liabilities of the Group were RMB22.5 million (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 31 December 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 RMB125.8 million and the unrealised fair value losses of approximately RMB696.3 million recognised during the reporting period. The relatively significant fair value losses mainly arose from certain investee companies of the Group which have been in operation difficulty in 2024 due to a combination of adverse factors, such as intensifying market competition, the mounting difficulty of product innovation and weak consumption, and from certain listed equity investments of the Group which have experienced a decline in the market price at the end of the year 2024. As at 31 December 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 5.1%, 71.3% and 23.6% of financial assets at fair value through profit or loss, respectively. As at 31 December 2024, the Group has invested in approximately 20 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 31 December 2024, the prepayments of the Group amounted to approximately RMB1,367.0 million, representing a decrease of 4.4% as compared with approximately RMB1,429.3 million as at 31 December 2023. The prepayments of the Group mainly included prepaid licence fees (non-current) of approximately RMB737.6 million, prepaid minimum guarantees (current) of approximately RMB443.3 million, prepaid investment cost of approximately RMB149.3 million and other prepayments of approximately RMB36.8 million. The underlying contracts for such prepayments for licence fees and minimum guarantees were made with more than 50 renowned enterprises worldwide, representing more than 60 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 31 December 2024, the Group did not enter into any off-balance sheet transactions (2023: Nil).

KEY FINANCIAL METRICS

The table below sets forth the Group's key financial metrics for the years indicated:

	For the year ended	
	31 December/ as at 31 December	
	2024	2023
Current ratio (times) ⁽¹⁾	1.44	1.71
Gearing ratio ⁽²⁾	13.2%	8.7%
Gross profit margin	31.2%	36.2%

Notes:

- (1) Current ratio is the Group's current assets divided by its current liabilities as at the end of each financial year.
- (2) Gearing ratio is total debt divided by total equity as at the end of each financial year. Total debt equals to the Group's total bank and other borrowings.

CAPITAL EXPENDITURES

The Group's historical capital expenditures primarily included royalties paid to game developers and IP owners. The Group funded its capital expenditure requirements during the year ended 31 December 2024 mainly with its internal resources.

The Group's capital commitments as at 31 December 2023 and 2024 amounted to RMB280.0 million and RMB134.1 million, respectively. The Group's capital commitments as at 31 December 2024 were for the purchase of IP and game licences.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS OR DISPOSAL

On 11 September 2024 (after trading hours), SuperNova Overseas Limited (“**SuperNova**”), the Group’s wholly-owned subsidiary, entered into an assignment agreement (the “**Assignment Agreement**”) with Softstar Entertainment Inc. (大宇資訊股份有限公司) (“**Softstar**”), pursuant to which SuperNova agreed to acquire, and Softstar agreed to assign to SuperNova, all registered or unregistered IP rights (including but not limited to copyright and trademark), competitive rights, trade secrets, goodwill under the common law and related rights owned by Softstar and Softstar’s related corporations (“**Softstar Related Corporations**”), in all regions (except Mainland China), pertinent to the game series *Legend of Sword and Fairy* (仙劍奇俠傳) and all existing and future derivative works from, and music, content literature, art works, videos and audio works in, such game series (whether the same are created prior to or after the signing of the Assignment Agreement) (the “**Target IP Rights**”) at a total consideration of RMB18,300,000 in cash and an aggregate of 38,000,000 ordinary shares of the Company (“**Consideration Shares**”) to be allotted and issued by the Company to Softstar at the issue price of HK\$1.68 per share (the “**Assignment**”). With effect from the date of the Assignment Agreement, SuperNova shall be entitled to and undertake all the rights and obligations in relation to the grant of authorisation or licence in respect of the Target IP Rights.

On 1 November 2024, Softstar has obtained its shareholders’ approval for the Assignment in its general meeting and therefore, the condition precedent for the Assignment was fulfilled. The Consideration Shares were allotted and issued to Softstar on the same date.

As at the date of this announcement, out of the total cash consideration of RMB18,300,000, SuperNova has paid to Softstar RMB14,640,000 and the remaining amount of RMB3,660,000 has not been paid as the registration of the Assignment in certain relevant regions (except Mainland China) has not been completed and Softstar and/or Softstar Related Corporations have not entered into the assignments with relevant third parties in relation to the assignment of all the rights, economic interests and IP of Softstar and/or Softstar Related Corporations under the relevant authorisation agreements of the Target IP Rights to SuperNova. For further details, please refer to the Company’s announcements dated 11 September 2024 and 1 November 2024.

Save as disclosed above, during the year ended 31 December 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 First Subscription and Second Subscription as set out in the relevant announcements dated 29 May 2024, 22 July 2024, 13 October 2024 and 22 October 2024. The Group did not have concrete plans for material investments or capital assets as at 31 December 2024.

USE OF PROCEEDS FROM THE FIRST SUBSCRIPTION

The net proceeds from the First Subscription was approximately HK\$167.0 million after deducting related fees and expenses in connection with the First Subscription. The Company has applied 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 First Subscription to 31 December 2024; (ii) the amount of unutilised net proceeds of the Company as at 31 December 2024; and (iii) the expected timeline of the Company for the full utilisation of the remaining unutilised net proceeds:

No.	Purpose	Amount of the net proceeds (HK\$ in millions)	Amount of net proceeds utilised		Expected timeline for the full utilisation of the remaining net proceeds
			between the completion of the First Subscription and 31 December 2024 (HK\$ in millions)	Amount of unutilised net proceeds as at 31 December 2024 (HK\$ in millions)	
1.	Further enhance IP-based game publishing and development business through acquisitions and/or investments	<u>167.0</u>	<u>167.0</u>	—	N/A

As illustrated in the above table, the Company has fully utilised the net proceeds from the First Subscription and there is no unutilised net proceeds from the First Subscription as at 31 December 2024.

USE OF PROCEEDS FROM THE SECOND SUBSCRIPTION

The net proceeds from the Second Subscription was approximately HK\$94.2 million after deducting related fees and expenses in connection with the Second Subscription. The Company has applied part of the net proceeds in the manner as set out in the Company's announcements dated 13 October 2024 and 22 October 2024.

The table below sets forth (i) the amount of net proceeds utilised by the Company from the completion of the Second Subscription to 31 December 2024; (ii) the amount of unutilised net proceeds of the Company as at 31 December 2024; and (iii) the expected timeline of the Company for the full utilisation of the remaining unutilised net proceeds:

No.	Purpose	Amount of the net proceeds (HK\$ in millions)	Amount of net proceeds utilised between the completion of the Second Subscription and	Amount of utilised net proceeds as at	Expected timeline for the full utilisation of the remaining net proceeds
			31 December 2024 (HK\$ in millions)	31 December 2024 (HK\$ in millions)	
1.	Further enhance IP-based game publishing and development business through acquisitions and/or investments	<u>94.2</u>	<u>5.2</u>	<u>89.0</u>	Before 30 June 2026

The Company will continue to evaluate the situation and adopt a prudent and flexible approach when utilising its net proceeds from the Second Subscriptions for the long-term benefit and development of the Group. The current expected timeline for using the unutilised net proceeds from the Second Subscriptions is based on the Directors' best estimation barring unforeseeable circumstances, and is 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 Second Subscription, the Company will publish an announcement as and when appropriate.

OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 December 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. All repurchased shares were subsequently cancelled on 19 December 2024. Details of the shares repurchased are as follows:

Month of repurchase	Number of ordinary shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration paid HK\$ in millions (Approximate)
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 (the “**First 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 “**First 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 date of the First Subscription Agreement).

The First Subscription was completed on 22 July 2024 and the Group received a total net proceeds of approximately HK\$167.0 million upon completion (the net price to the Group of each First Subscription Share is approximately HK\$1.67). The First Subscription Shares have an aggregate nominal value of US\$10,000. The Group has applied part of the net proceeds from the First 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 First 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 First 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 First Subscription are set forth under the section headed “Use of Proceeds from the First Subscription” of this announcement.

On 10 October 2024 (after trading hours), the Company entered into separate subscription agreements (collectively as the “**Second Subscription Agreements**”) with Infini Global Master Fund, Farrich Investments Limited and Actoz Soft Hong Kong Limited (all as subscribers), pursuant to which the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 105,777,777 ordinary shares (the “**Second Subscription Shares**”) at the subscription price of HK\$0.90 per Share (with the closing price of HK\$0.91 per Share as quoted on the Stock Exchange on the date of the Second Subscription Agreements).

The Second Subscription was completed on 22 October 2024 and the Group received a total net proceeds of approximately HK\$94.2 million upon completion (the net price to the Group of each Second Subscription Share is approximately HK\$0.89). The Second Subscription Shares have an aggregate nominal value of US\$10,577.7777. The Group has applied part of the net proceeds from the Second 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 Second 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 Second Subscription Agreements, 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 Second Subscription are set forth under the section headed “Use of Proceeds from the Second Subscription” of this announcement.

On 11 September 2024 (after trading hours), SuperNova, the Company’s wholly-owned subsidiary, entered into the Assignment Agreement with, and conditionally agreed to acquire from, Softstar the Target IP Rights at a total consideration of RMB18,300,000 in cash and an aggregate of 38,000,000 Consideration Shares to be allotted and issued by the Company to Softstar at the issue price of HK\$1.68 per Share.

The condition precedent for the Assignment has been fulfilled on 1 November 2024, and the Company has allotted and issued the Consideration Shares to Softstar on the same day. The Consideration Shares have an aggregate nominal value of US\$3,800. Upon completion of the acquisition of the Target IP Rights, the Group will own all IP rights of *Legend of Sword and Fairy* (仙劍奇俠傳) worldwide. The full acquisition of the global IP rights and interests of *Legend of Sword and Fairy* (仙劍奇俠傳) will strengthen the ecological competitiveness of the Group’s IP games and ensure the long-term and stable implementation of the IP game strategy of the Group.

Save as disclosed above, the Group did not purchase, sell or redeem any of the Company's listed securities during the year ended 31 December 2024.

Corporate Governance Code

During the year ended 31 December 2024, the Company complied with the applicable code provisions of Part 2 of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), 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 chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Company 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 (including Mr. Xiao Jian), two non-executive Directors and three independent non-executive Directors, and therefore has a fairly strong independence element in its composition. The Board 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.

Model Code for 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 (the “**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.

Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code for the year ended 31 December 2024. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management members or relevant employees of the Group for the year ended 31 December 2024.

Employees' remuneration and relations

As at 31 December 2024, the Group had approximately 710 full-time employees (2023: 832). The success of the Group depends on its ability to attract, retain and motivate qualified personnel. As part of the Group's human resources strategy, the Group offers employees competitive salaries, performance based promotion systems and other incentives. Some of the Group's employees have been granted share options under the Post-IPO Share Option Scheme. The Group provides training programmes to employees, including new hire training for new employees and continuing technical training for the Group's research and development team and game operation team to enhance their skill and knowledge.

Remuneration policy

A remuneration committee has been set up to assist the Board to develop and administer a formal and transparent procedure for setting policy on the remuneration of directors and senior management, evaluating the performance of directors and senior management, reviewing and approving the terms of incentive schemes (including the Post-IPO Share Option Scheme) and directors' service contracts, and recommending to the Board the remuneration packages for all Directors and senior management. Emoluments of Directors shall be determined by the Board in accordance with the Company's remuneration policy, and with reference to Directors' experience, working performance and position as well as the market conditions.

Audit Committee

The Company has established the audit committee (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprises Ms. Ng Yi Kum, Mr. Tang Liang and Mr. Ho Orlando Yaukai. Ms. Ng Yi Kum is the chairlady of the Audit Committee.

The Audit Committee, together with the Company's auditor, have reviewed the Group's audited consolidated financial statements for the year ended 31 December 2024. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Group.

Annual General Meeting

The notice of the annual general meeting ("**AGM**") will be published on the websites of the Stock Exchange and the Company and despatched to the Shareholders in due course.

For the purpose of determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 22 May 2025 to Tuesday, 27 May 2025 (both days inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered shareholders shall ensure that all transfer documents accompanied by the relevant Share certificates must be lodged with the Company's Hong Kong branch registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 21 May 2025.

Final Dividend

The Board does not recommend the declaration of a final dividend for the year ended 31 December 2024 (for the year ended 31 December 2023: Nil).

Publication of Annual Results and Annual Report on the Websites of the Stock Exchange and the Company

The annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cmge.com). The 2024 annual report will be despatched to the Shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the year ended 31 December	
		2024 RMB'000	2023 RMB'000
REVENUE	4	1,930,091	2,605,884
Cost of sales		<u>(1,327,033)</u>	<u>(1,662,782)</u>
Gross profit		603,058	943,102
Other income and gains, net	4	108,268	117,426
Selling and distribution expenses		(494,316)	(306,494)
Administrative expenses		(137,897)	(155,700)
Research and development costs		(244,255)	(370,256)
Impairment of financial and contract assets, net		(255,573)	(89,936)
Impairment of goodwill		(546,759)	(65,477)
Write-off of prepayments		(211,827)	(26,858)
Fair value losses on financial assets at fair value through profit or loss		(696,299)	(33,538)
Impairment of other intangible assets		(211,557)	(3,094)
Other expenses		(39,883)	(18,811)
Finance costs		(19,852)	(19,638)
Share of profits and losses of:			
Joint Venture		—	—
Associates		4,010	3,545
LOSS BEFORE TAX	5	(2,142,882)	(25,729)
Income tax credit/(expense)	6	32,063	(12,312)
LOSS FOR THE YEAR		<u>(2,110,819)</u>	<u>(38,041)</u>
Attributable to:			
Owners of the parent		(2,105,005)	(20,079)
Non-controlling interests		(5,814)	(17,962)
		<u>(2,110,819)</u>	<u>(38,041)</u>
LOSS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF			
THE PARENT	8		
Basic			
– For loss for the year		<u>RMB(74.56) cents</u>	<u>RMB(0.73) cents</u>
Diluted			
– For loss for the year		<u>RMB(74.56) cents</u>	<u>RMB(0.73) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended	
	31 December	
	2024	2023
	RMB'000	RMB'000
LOSS FOR THE YEAR	<u>(2,110,819)</u>	<u>(38,041)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(24,095)</u>	<u>12,379</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>38,299</u>	<u>2,990</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>14,204</u>	<u>15,369</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(2,096,615)</u>	<u>(22,672)</u>
Attributable to:		
Owners of the parent	<u>(2,090,801)</u>	<u>(4,710)</u>
Non-controlling interests	<u>(5,814)</u>	<u>(17,962)</u>
	<u>(2,096,615)</u>	<u>(22,672)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December	
		2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property and equipment		11,599	14,222
Right-of-use assets		22,442	24,860
Goodwill	9	512,545	1,059,304
Other intangible assets		563,880	610,665
Investment in a joint venture		—	—
Investments in associates		120,350	159,329
Financial assets at fair value through profit or loss	10	1,238,509	2,021,044
Deferred tax assets		113,036	73,870
Prepayments and other receivables	12	902,407	910,287
		3,484,768	4,873,581
TOTAL non-current assets			
CURRENT ASSETS			
Trade and bills receivables	11	846,345	1,187,136
Prepayments, other receivables and other assets	12	638,515	808,992
Due from related parties		10,680	8,851
Cash and cash equivalents		101,756	210,609
		1,597,296	2,215,588
TOTAL current assets			
CURRENT LIABILITIES			
Trade payables	13	218,583	261,054
Other payables and accruals		245,819	311,556
Contingent consideration for business combination		—	100,000
Bank and other borrowings		512,806	495,000
Tax payable		120,426	114,717
Due to a related party		—	1,998
Lease liabilities		12,446	11,077
		1,110,080	1,295,402
TOTAL current liabilities			

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
NET CURRENT ASSETS	487,216	920,186
TOTAL ASSETS LESS CURRENT LIABILITIES	3,971,984	5,793,767
NON-CURRENT LIABILITIES		
Deferred tax liabilities	66,007	83,124
Lease liabilities	10,057	15,830
Total non-current liabilities	76,064	98,954
Net assets	3,895,920	5,694,813
EQUITY		
Equity attributable to owners of the parent		
Issued capital	2,089	1,915
Reserves	3,900,207	5,693,790
	3,902,296	5,695,705
Non-controlling interests	(6,376)	(892)
Total equity	3,895,920	5,694,813

NOTES TO FINANCIAL STATEMENTS

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 the investment business in Mainland China.

In the opinion of the directors, the controlling shareholders of the Company are Mr. Xiao Jian and Mr. Sin Hendrick *M.H.*

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and contingent consideration for business combination which have been measured at fair value. These consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following amendments to HKFRSs for the current year's consolidated financial statements:

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>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>
Amendments to HK Int 5 (Revised)	<i>Presentation of Financial Statements - Classification by a Borrower of a Term Loan that Contains a Repayment on Demand Clause</i>

Adoption of these amendments to HKFRSs and HKAS had no material impact on the Group's consolidation financial statements. The Group has not early applied any new or amendments to HKFRSs that is not yet effective for the current accounting period.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and amendments to HKFRSs, that has been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKAS 21 and HKFRS 1	<i>Lack of Exchangeability</i> ¹
Amendments to HKFRS 9 and HKFRS 7	<i>Classification and Measurement of Financial Instruments</i> ²
Amendments to HKFRS 9 and HKFRS 7	<i>Contract Referencing Nature-dependent Electricity</i> ²
Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i> ²
HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
Amendments to HK Int 5	<i>Presentation of Financial Statements – Classification by a Borrower of a Term Loan that Contains a Repayment on Demand Clause</i> ³
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴

¹ Effective for annual periods beginning on or after 1 January 2025.

² Effective for annual periods beginning on or after 1 January 2026.

³ Effective for annual periods beginning on or after 1 January 2027.

⁴ Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of the impact of these new and amendments to HKFRSs upon initial application.

HKFRS 18 Presentation and Disclosure in Financial Statements, which was issued by the HKICPA in July 2024 supersedes HKAS 1 and will result in major consequential amendments to HKFRS Accounting Standards including HKAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though HKFRS 18 will not have any effect on the recognition and measurement of items in the consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

The adoption of HKFRS 19 is optional. HKFRS 19 specifies the disclosure requirements that an entity is permitted to apply to substitute the disclosure requirements in other HKFRS Accounting Standards. The Company's shares are listed and traded on The Stock Exchange of Hong Kong Limited. Therefore, it has public accountability according to HKFRS 19 and does not qualify for electing to apply the standard to prepare its financial statements.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in mobile game publishing, game development and licensing of intellectual property.

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker (“CODM”) in order to allocate resources to segments and to assess their performance. There were no segment assets and segment liabilities information provided to the CODM, as the CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

For the year ended 31 December 2024

Segments	Game publishing RMB'000	Game development RMB'000	Licensing of intellectual property RMB'000	Total RMB'000
Segment revenue (note 4)				
Sales to external customers	1,664,508	149,122	116,461	1,930,091
Intersegment sales	—	1,089	—	1,089
	<u>1,664,508</u>	<u>150,211</u>	<u>116,461</u>	<u>1,931,180</u>
Reconciliation:				
Elimination of intersegment sales				<u>(1,089)</u>
Total revenue from contracts with customers				<u><u>1,930,091</u></u>
Segment results	460,956	45,421	96,681	603,058
Reconciliation:				
Other income and gains, net				108,268
Selling and distribution expenses				(494,316)
Administrative expenses				(137,897)
Research and development costs				(244,255)
Impairment of financial and contract assets, net				(255,573)
Impairment of goodwill				(546,759)
Write-off of prepayments				(211,827)
Fair value losses on financial assets at fair value through profit or loss				(696,299)
Impairment of other intangible assets				(211,557)
Other expenses				(39,883)
Finance costs				(19,852)
Share of profits and losses of: Associates				<u>4,010</u>
LOSS BEFORE TAX				<u><u>(2,142,882)</u></u>

For the year ended 31 December 2023

Segments	Game publishing RMB'000	Game development RMB'000	Licensing of intellectual property RMB'000	Total RMB'000
Segment revenue (note 4)				
Sales to external customers	2,133,803	215,105	256,976	2,605,884
Intersegment sales	—	26,336	—	26,336
	2,133,803	241,441	256,976	2,632,220
Reconciliation:				
Elimination of intersegment sales				(26,336)
Total revenue from contracts with customers				<u>2,605,884</u>
Segment results	633,657	69,516	239,929	943,102
Reconciliation:				
Other income and gains, net				117,426
Selling and distribution expenses				(306,494)
Administrative expenses				(155,700)
Research and development costs				(370,256)
Impairment of financial and contract assets, net				(89,936)
Impairment of goodwill				(65,477)
Write-off of prepayments				(26,858)
Fair value losses on financial assets at fair value through profit or loss				(33,538)
Impairment of other intangible assets				(3,094)
Other expenses				(18,811)
Finance costs				(19,638)
Share of profits and losses of: Associates				3,545
LOSS BEFORE TAX				<u>(25,729)</u>

Geographical information

(a) Revenue from external customers

	2024	2023
	RMB'000	RMB'000
Mainland China	1,657,961	2,379,078
Other countries/regions	<u>272,130</u>	<u>226,806</u>
	<u>1,930,091</u>	<u>2,605,884</u>

The revenue information above is based on the locations of the game publishing, game development and licensing of intellectual property.

(b) Non-current assets

	2024	2023
	RMB'000	RMB'000
Mainland China	1,990,963	2,694,972
Other countries/regions	<u>127,218</u>	<u>83,695</u>
	<u>2,118,181</u>	<u>2,778,667</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

During the year ended 31 December 2024, revenue of approximately RMB245,613,000 was derived from a single external customer of the game publishing that accounted for more than 10% of total revenue.

During the year ended 31 December 2023, revenue of approximately RMB389,220,000 was derived from a single external customer of the game publishing that accounted for more than 10% of total revenue.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

(a) Disaggregated revenue information

For the year ended 31 December 2024

Segments	Game publishing RMB'000	Game development RMB'000	Licensing of intellectual property RMB'000	Total RMB'000
Types of goods and services:				
Mobile game publishing services	1,664,508	—	—	1,664,508
Game development related services	—	149,122	—	149,122
Licensing of intellectual property	—	—	116,461	116,461
Total revenue	<u>1,664,508</u>	<u>149,122</u>	<u>116,461</u>	<u>1,930,091</u>
Revenue from contracts with customers under HKFRS 15 by geographical markets:				
Mainland China	1,393,647	148,332	115,982	1,657,961
Other countries/regions	270,861	790	479	272,130
	<u>1,664,508</u>	<u>149,122</u>	<u>116,461</u>	<u>1,930,091</u>
Revenue from contracts with customers under HKFRS 15 by timing of revenue recognition:				
Services transferred over time	1,664,508	149,122	22,822	1,836,452
Services transferred at a point in time	—	—	93,639	93,639
	<u>1,664,508</u>	<u>149,122</u>	<u>116,461</u>	<u>1,930,091</u>

For the year ended 31 December 2023

Segments	Game publishing RMB'000	Game development RMB'000	Licensing of intellectual property RMB'000	Total RMB'000
Types of goods and services:				
Mobile game publishing services	2,133,803	—	—	2,133,803
Game development related services	—	215,105	—	215,105
Licensing of intellectual property	—	—	256,976	256,976
	<u>2,133,803</u>	<u>215,105</u>	<u>256,976</u>	<u>2,605,884</u>
Total revenue				
	<u><u>2,133,803</u></u>	<u><u>215,105</u></u>	<u><u>256,976</u></u>	<u><u>2,605,884</u></u>
Revenue from contracts with customers under HKFRS 15				
by geographical markets:				
Mainland China	1,926,081	215,105	237,892	2,379,078
Other countries/regions	207,722	—	19,084	226,806
	<u>2,133,803</u>	<u>215,105</u>	<u>256,976</u>	<u>2,605,884</u>
Revenue from contracts with customers under HKFRS 15 by timing of revenue recognition:				
Services transferred over time	2,133,803	215,105	143,768	2,492,676
Services transferred at a point in time	—	—	113,208	113,208
	<u>2,133,803</u>	<u>215,105</u>	<u>256,976</u>	<u>2,605,884</u>

The following table shows the amounts of revenue from contracts with customers under HKFRS 15 recognised in the current reporting period that were included in the contract liabilities at the beginning of each reporting period:

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of year:		
Short-term advances received from game publishing and IP licensing income	23,859	53,754
Sales of game points in self-developed games	99,127	61,606
	<u>122,986</u>	<u>115,360</u>

(b) Performance obligations of revenue from contracts with customers under HKFRS 15

Information about the Group's performance obligations is summarised below:

Publishing services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 180 days from the date of billing.

Game development related services

The performance obligation from self-developed and self-operating games is satisfied over the estimated Player Relation Period. The performance obligation from licensing self-developed games to other publishers as customer is satisfied over time during the licence period for granting the customer a right to access, or at a point in time for granting the customer a right to use.

Intellectual property licensing services

The performance obligation is satisfied over the licence period (for a right to access) or at the point in time when the customer can first use the licenced intellectual property (for a right to use). Payment is generally due within 180 days from delivery.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2024	2023
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one to two years	117,834	154,331

The amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one to two years. The amounts disclosed above do not include variable consideration which is constrained.

(c) Other income and gains, net

	2024	2023
	RMB'000	RMB'000
Bank interest income	773	1,567
Government grants*	5,631	28,680
Fair value adjustment of contingent consideration for business combination	100,000	68,925
Dividend income from financial assets at fair value through profit or loss	—	10,569
Others	1,864	7,685
	<u>108,268</u>	<u>117,426</u>

* Various government grants have been received from local government authorities. There are no unfulfilled conditions and other contingencies relating to these grants.

5. LOSS BEFORE TAX

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

	2024 RMB'000	2023 RMB'000
Commissions charged by publishing channels and third-party game developers ^(a)	1,027,361	1,264,338
Commissions charged by IPs owners	81,314	151,989
Promotion expenses	468,317	262,741
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	267,396	303,238
Equity-settled share-based expense	24,618	21,753
Pension scheme contributions (defined contribution scheme) ^(b)	31,789	48,121
	<u>323,803</u>	<u>373,112</u>
Depreciation of property and equipment	4,505	6,458
Depreciation of right-of-use assets	15,317	13,916
Amortisation of other intangible assets	127,024	108,863
– included in cost of sales	121,922	102,853
– included in administrative expenses	5,102	6,010
Research and development costs	344,541	446,666
Less: Amounts capitalised in intangible assets	<u>(100,286)</u>	<u>(76,410)</u>
	<u>244,255</u>	<u>370,256</u>
Lease payments not included in the measurement of lease liabilities	3,544	6,569
Foreign exchange differences, net ^(d)	1,925	5,904
Loss on disposal of an investment in an associate ^(d)	30,900	—
Impairment of an investment in a joint venture ^(d)	—	4,684
Impairment of an investment in an associate ^(d)	4,589	846
Impairment of trade receivables, net	175,843	103,232
Impairment of/(reversal of) financial assets included in prepayments, other receivables and other assets	<u>79,730</u>	<u>(13,296)</u>
	<u>255,573</u>	<u>89,936</u>
Write-off of prepayments ^(c)	211,827	26,858
Impairment of goodwill	546,759	65,477
Impairment of other intangible assets	211,557	3,094
Bank interest income	(773)	(1,567)
Loss on disposal of items of property and equipment	40	333
Gain on lease modification	(2,205)	(317)
Auditor's remuneration	6,100	6,200
Fair value losses on financial assets at fair value through profit or loss	696,299	33,538
Fair value adjustment of contingent consideration for business combination	<u>(100,000)</u>	<u>(68,925)</u>

- (a) Zhejiang Century Huatong Group Co., Ltd (“**Century Huatong**”), 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 does not have any voting rights in the Company through its holding vehicles or significant influence on the Company, the directors of the Company believe that Century Huatong is an independent third party to the Group. Century Huatong provided publishing channel services to the Group, which amounted to RMB44,941,000 during the year ended 31 December 2024 (2023: RMB53,835,000), and the balance of trade receivables from Century Huatong as at 31 December 2024 was RMB465,000 (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 is presented as separate line item in the consolidated statement of profit or loss. These prepayments are related to certain mobile game projects which the Group had decided to terminate or the relevant prepaid licences were expired during the year.
- (d) Foreign exchange differences, net, loss on disposal of an investment in an associate and impairment loss on investments in an associate and a joint venture are included in “other expenses” in the consolidated statement of profit or loss.

6. 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 BVI and the Cayman Islands (the “**Cayman**”), the Group is not subject to any income tax in the BVI and Cayman.

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, 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 PRC Corporate Income Tax Law (the “**PRC Tax Law**”) 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 Donyue**”) and China Mobile Games and Entertainment Group Limited Shenzhen (“**Shenzhen Zhongshouyou**”) were accredited as High and New Technology Enterprises (“**HNTE**”) in 2020 under relevant PRC laws and regulations. Accordingly, Shenzhen Douyue and Shenzhen Zhongshouyou were entitled to a preferential Corporate Income Tax (“**CIT**”) rate of 15%. The certificate was valid for three years since its renewal in 2023.

Chengdu Zhouxing Technology Co., Ltd. (“**Chengdu Zhouxing**”) was accredited as HNTE in 2022 under relevant PRC laws and regulations. Accordingly, Chengdu Zhouxing was entitled to a preferential CIT rate of 15% from 2022 to 2025.

Beijing Wenmai Hudong Technology Company Limited (“**Wenmai Hudong**”) was accredited as a HNTE since 2016 and is entitled to a tax rate of 15% as 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 was entitled to a tax rate of 15% as the certificate was valid for three years since its renewal in 2021.

Shengyue Software (Shenzhen) Co., Ltd. was accredited as a “software enterprise” in 2019 under relevant PRC laws and regulations. Accordingly, it was entitled to tax exemption from 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 the year ended 31 December 2023 and 2024.

Hainan Chuangyue Technology Company Limited (“**Hainan Chuangyue**”) and Hainan Zhanshen Technology Company Limited (“**Hainan Zhanshen**”) were established in the Hainan Free Trade Port. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Hainan Chuangyue and Hainan Zhanshen was 15% each for the year ended 31 December 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 2025.

Shenzhen Fansheng 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 2023 to 2024 and is entitled to a preferential CIT rate of 12.5% from 2025 to 2027.

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 its tax assessable profits/(losses) for the years ended 31 December 2024 and 2023 respectively.

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 years ended 31 December 2024 and 2023 respectively.

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

	2024	2023
	RMB'000	RMB'000
Current tax expense		
PRC	22,624	25,874
Hong Kong		
Charge for the year	—	—
Under/ (over)-provision in prior years	1,091	(7,912)
Elsewhere	505	2,154
Total	<u>24,220</u>	<u>20,116</u>
Deferred tax credit		
PRC	<u>(56,283)</u>	<u>(7,804)</u>
Total tax (credit)/expense for the year	<u><u>(32,063)</u></u>	<u><u>12,312</u></u>

Pursuant to the PRC Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10% and may be reduced to 5% if certain criteria could be met under the Double Taxation Arrangement (Hong Kong). The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2024, no deferred tax (2023: Nil) has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries, joint venture and associates established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries, joint venture and associates in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB166,990,000 (2023: RMB285,140,000).

7. DIVIDENDS

The board of directors of the Company has resolved not to recommend payment of a final dividend for the year ended 31 December 2024 (2023: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the years attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

The Group had no dilutive potential ordinary shares in issue during the year ended 31 December 2024 and 2023 for 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 per share are the same.

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

	2024	2023
	RMB'000	RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	<u>(2,105,005)</u>	<u>(20,079)</u>
Number of shares		
	2024	2023
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<u>2,823,325,000</u>	<u>2,752,672,000</u>

9. GOODWILL

	RMB'000
At 1 January 2023:	
Cost	1,147,749
Accumulated impairment	(22,968)
Net carrying amount	<u>1,124,781</u>
Cost at 1 January 2023, net of accumulated impairment	1,124,781
Impairment during the year (note 5)	(65,477)
Net carrying amount at 31 December 2023	<u><u>1,059,304</u></u>
At 31 December 2023 and 1 January 2024:	
Cost	1,147,749
Accumulated impairment	(88,445)
Net carrying amount	<u>1,059,304</u>
Cost at 1 January 2024, net of accumulated impairment	1,059,304
Impairment during the year (note 5)	(546,759)
Net carrying amount at 31 December 2024	<u><u>512,545</u></u>
At 31 December 2024:	
Cost	1,147,749
Accumulated impairment	(635,204)
Net carrying amount	<u><u>512,545</u></u>

Game development operation of Wenmai Hudong CGU

During the year ended 31 December 2024, management of the Group has provided impairment loss on goodwill of RMB529,915,000 (2023: RMB65,477,000) allocated to game development operation of Wenmai Hudong CGU to write down their carrying amounts to RMB140,768,000 (2023: RMB672,380,000), since the annual results of Wenmai Hudong CGU have underperformed with loss results.

Game development operation of Shanghai Zhoujing Network Technology Co., Ltd. (“Shanghai Zhoujing”) CGU

During the year ended 31 December 2024, management of the Group has provided impairment loss on goodwill of RMB16,844,000 (2023: Nil) allocated to game development operation of Shanghai Zhoujing CGU to write down their recoverable amounts to nil (2023: RMB52,000,000) due to their closure of business under the Group’s latest strategy.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024	2023
	RMB'000	RMB'000
Non-current assets		
Listed equity investments, at fair value	63,296	201,133
Unlisted equity investments, at fair value	883,656	1,251,887
Convertible loans and other debt instrument, at fair value	291,557	568,024
	<u>1,238,509</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 fund in Angel Fund was RMB39,906,000 as at 31 December 2023. In September 2024, the Group disposed its entire 26% interest in Angel Fund at a consideration of RMB37,000,000 to an independent third party of the Group. The consideration receivable is included in other receivables of which 50% is due beyond twelve months after the reporting period, and is classified under non-current portion.

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 RMB227,526,000 (2023: RMB218,359,000) as at 31 December 2024.

In February 2020, Guohong Jiaxin (Shenzhen) Angel Venture Capital Enterprise (L.P.) (“**Angel Venture**”) has been set up after obtaining all the related licences and approval documentation. The fair value of the investment in Angel Venture was RMB211,000,000 (2023: RMB219,000,000) as at 31 December 2024.

The Group holds 25.65% and 39.01% limited partnership interests in CPC Fund and Angel Venture, respectively. Pursuant to the relevant agreements of these two 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 CPC Fund and Angel Venture and they are treated as financial instruments at fair value through profit or loss.

11. TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	1,254,339	1,450,544
Allowance for impairment	(436,808)	(263,408)
Trade receivables, net	<u>817,531</u>	<u>1,187,136</u>
Bills receivable	<u>28,814</u>	—
Trade and bills receivables, net	<u><u>846,345</u></u>	<u><u>1,187,136</u></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 major counterparties. Bills receivables are received from independent customers under the ordinary course of business. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade and bills receivables are non-interest-bearing.

The Group's bills receivable of RMB28,814,000 as at 31 December 2024 (2023: Nil) were transferred to banks by discounting on a full recourse basis. As the Group has not transferred the significant risks and rewards, it continues to recognise the full carrying amount and has recognised the cash received on the transfer as a collateralised borrowing. These financial assets are carried at amortised cost in the consolidated statement of financial position.

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:

	2024 RMB'000	2023 RMB'000
Within 6 months	365,996	746,711
6 months to 1 year	180,511	325,281
1 year to 18 months	136,640	52,405
18 months to 2 years	117,213	36,474
Over 2 years	17,171	26,265
	<u>817,531</u>	<u>1,187,136</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	263,408	161,303
Provision for impairment losses, net (note 5)	175,843	103,232
Receivable written off during the year as uncollectible	(2,443)	(1,127)
At end of year	<u><u>436,808</u></u>	<u><u>263,408</u></u>

The Group applies the simplified approach in calculating expected credit losses (“ECL”) under HKFRS 9, and the provision rates are based on days past due for groupings of various customer segments with similar loss patterns. For certain trade receivables for which the counterparty failed to make demanded repayment, the Group has made a 100% provision (“default receivables”). Except for default receivables, the Group used the calculation which reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

As at 31 December 2024

	Amount RMB’000	Expected credit loss rate	Impairment RMB’000
Default receivables	3,526	100.0%	3,526
Other trade receivables aged:			
Current	404,529	9.5%	38,531
Past due for less than 6 months	238,574	24.3%	58,063
Past due for 6 months to 1 year	198,233	31.1%	61,594
Past due for 1 year to 18 months	190,164	38.3%	72,951
Past due for 18 months to 24 months	53,937	68.2%	36,767
Past due for over 24 months	165,376	100%	165,376
	<u>1,254,339</u>		<u>436,808</u>

As at 31 December 2023

	Amount RMB’000	Expected credit loss rate	Impairment RMB’000
Default receivables	3,461	100.0%	3,461
Other trade receivables aged:			
Current	776,207	3.8%	29,496
Past due for less than 6 months	368,382	11.7%	43,101
Past due for 6 months to 1 year	67,186	22.0%	14,781
Past due for 1 year to 18 months	61,820	41.0%	25,346
Past due for 18 months to 24 months	79,111	66.8%	52,846
Past due for over 24 months	94,377	100.0%	94,377
	<u>1,450,544</u>		<u>263,408</u>

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 RMB'000	2023 RMB'000
Non-current portion		
Prepayments*	887,365	910,287
Other receivables**	15,042	—
	<u>902,407</u>	<u>910,287</u>
Current portion		
Prepayments*	479,658	519,035
Deposits and other receivables**	121,222	205,595
Contract costs***	37,635	84,362
	<u>638,515</u>	<u>808,992</u>
	<u><u>1,540,922</u></u>	<u><u>1,719,279</u></u>

* During the process of developing and publishing mobile games, certain prepayments are agreed to be and have been made by the Group pursuant to the relevant game production contracts entered into with the game developers or licensors of the relevant IP rights. These prepayments are commonly known in the industry as prepaid minimum guarantees and prepaid licence fees.

Prepaid minimum guarantees are made by the Group as game publishers to game developers before the release of the games. Prepaid minimum guarantees serve as an incentive to encourage game developers to devote resources into the research and development of certain games and are used to guarantee the collaboration between the Group (as game publishers) and the game developers in relation to the publishing of the games.

Prepaid licence fees are fixed fees made by the Group as game publishers to game developers or licensors as consideration for acquiring the rights to use the IP, the dealership rights or the distribution rights of certain games.

Prepayments as at 31 December 2024 mainly included prepaid minimum guarantee of approximately RMB443,293,000 (2023: RMB513,229,000) and prepaid license fees of approximately RMB737,550,000 (2023: RMB899,731,000).

** Deposits and other receivables as at 31 December 2024 mainly included receivable from disposal of investments of approximately RMB36,083,000 (2023: RMB60,255,000), deductible Input VAT of approximately RMB26,449,000 (2023: RMB34,960,000) and deposit for expense mainly including marketing of approximately RMB14,304,000 (2023: RMB86,576,000)

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

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:

	2024	2023
	RMB'000	RMB'000
Within 3 months	92,507	93,933
3 to 6 months	51,434	54,625
6 months to 1 year	25,450	47,358
Over 1 year	49,192	65,138
	<hr/>	<hr/>
Total	218,583	261,054
	<hr/> <hr/>	<hr/> <hr/>

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

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

Hong Kong, 27 March 2025

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.