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Jiu Zun Digital Interactive Entertainment Group Holdings Limited

九尊數字互娛集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1961)

PROFIT WARNING

This announcement is made by Jiu Zun Digital Interactive Entertainment Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Based on the preliminary assessment of the unaudited consolidated management accounts and management information currently available to the Company, the board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform shareholders of the Company (the “**Shareholders**”) and potential investors that, the Group is expected to record a net loss (before Listing expenses) of not less than RMB15.0 million for the six months ended 30 June 2021 (“**First Half 2021**”) as compared to a net profit (before Listing expenses) of approximately RMB18.3 million for the six months ended 30 June 2020 (“**First Half 2020**”).

The Board believes that the decline in the Group’s results is primarily attributable to:

- (i) the substantial decline of approximately 65 to 70% in revenue which was principally due to (I) insignificant revenue contribution attributable to the single-player mobile games for the First Half 2021 as compared to the First Half 2020; and (II) the substantial decline in revenue contribution attributable to two popular multi-player mobile games for the First Half 2021 as compared to the First Half 2020 of approximately 50 to 60% and more than 90%, respectively. Given that both the games were launched in the first half of the year ended 31 December 2019 and are approaching to the latter part of their game life cycle, it is considered that their revenue generation ability significantly decreased for the First Half 2021 as compared to the First Half 2020 (for more information about game life cycle, please refer to page 45 of the prospectus of the Company dated 27 February 2020);

- (ii) the substantial increase of research and development expenses for the First Half 2021 as compared to the First Half 2020, which was principally due to the Group's development of new multi-player mobile games in order to cater for the gradual change of player preference from the single-player mobile games to multi-player mobile games, which is in line with business strategy of the Group as disclosed in the annual report of the Company for the year ended 31 December 2020; and
- (iii) the substantial increase of selling and distribution expenses for the First Half 2021 as compared to the First Half 2020, which was principally due to the general increasing level of competition intensity in China's game industry resulting in the top-set places in the distribution platforms were mostly occupied by the games operated by major game operators.

Further to (ii) and (iii) above, the Board estimates that the increase of research and development expenses and selling and distribution expenses for the First Half 2021 as compared to the First Half 2020 exceeds RMB10 million in aggregate.

With the Group's change of the business focus from the single-player mobile games to the multi-player mobile games, which is in line with business strategy of the Group as disclosed in the annual report of the Company for the year ended 31 December 2020, the Group recorded insignificant revenue contribution attributable to the single-player mobile games for the First Half 2021. Although the Group has launched a number of new multi-player mobile games so that the total number of multi-player mobile games attributable to revenue contribution increased from nine to 16 for the First Half 2021 as compared to the First Half 2020, the revenue generation ability of those newly launched multi-player mobile games for the First Half 2021 could not be able to off-set the substantial decline in revenue contribution attributable to the aforesaid two popular multi-player mobile games principally due to the following reasons:

- (a) the revenue generation ability of three multi-player mobile games launched in the second half of 2020 and one multi-player mobile game launched in February 2021 was relatively less favourable than expected;
- (b) as a result of the unexpected re-outbreak of COVID-19 in Guangzhou, the PRC in May 2021 and the subsequent quarantine measures imposed by the PRC government, the Group had experienced a short-term disruption in operation and development which had caused delay in launching a new multi-player mobile game to June 2021. As such, the revenue generation ability of this new multi-player mobile games was not fully reflected in the financial results of the Group in the First Half 2021 and is yet to be seen; and
- (c) although page 4 of the annual report 2020 of the Company states that the Company only plans to launch two multi-player mobile games in 2021 (and such plan has been fulfilled as per (a) and (b) above), in view of the situation mentioned in (a) above and in order to improve the Group's competitiveness in the field of multi-player mobile games, the Board had decided to develop and launch additional three new multi-player mobile games in 2021. Nevertheless, due to the unexpected re-outbreak of COVID-19 in Guangzhou, the PRC in May 2021 as mentioned in (b) above, only one of the additional three new multi-player mobile games was able to be launched in the First Half 2021 (i.e. June 2021) with the remaining two launched in July 2021 and expected to be

launched by the end of 2021, respectively. As such, the revenue generation ability of these additional three new multi-player mobile games was not reflected in the financial results of the Group in the First Half 2021 and is yet to be seen.

The Company is still in the process of preparing and finalising the unaudited consolidated results of the Group for the six months ended 30 June 2021. The information contained in this announcement represents a preliminary assessment by the Board with reference to the unaudited consolidated management accounts of the Group for the six months ended 30 June 2021 and the information currently available to the Board. Such information has not been confirmed or reviewed by the auditors or the audit committee of the Company and may be subject to change. The Company expects to announce the results of the Group for the six months ended 30 June 2021 on 26 August 2021.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

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

Hong Kong, 19 August 2021

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