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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Jiu Zun Digital Interactive Entertainment Group Holdings Limited (the “**Company**” or “**Jiu Zun Digital**”) announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**we**” or “**us**” or “**our**”) for the six months ended 30 June 2021 (“**First Half 2021**”) together with the comparative figures for the corresponding period in 2020. The interim results have been reviewed by the Company’s Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Six months ended 30 June		Change (%)
	2021 (RMB'000) (Unaudited)	2020 (RMB'000) (Unaudited)	
Revenue	31,201	99,809	-68.7
Gross profit	8,339	30,912	-73.0
Profit/(loss) for the period	(17,132)	7,212	-337.5

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the First Half 2021 (six months ended 30 June 2020 (“**First Half 2020**”): Nil).

REVIEW OF OPERATION

Jiu Zun Digital is a digital entertainment content provider in People’s Republic of China (the “**PRC**”) with a diversified content portfolio comprising (i) mobile games mainly played on Android operating system; and (ii) e-magazines, majority of our revenue was derived from the sale of virtual items in our 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 “**2020 Annual Report**”).

The Group’s revenue decreased by approximately RMB68.6 million or 68.7% from approximately RMB99.8 million for the First Half 2020 to approximately RMB31.2 million for the First Half 2021. The decrease of the Group’s revenue is mainly due to (i) the decrease in revenue from our mobile game development and operation business by approximately RMB65.5 million; and (ii) the decrease in revenue from digital media content distribution business of approximately RMB3.0 million. The gross profit also decreased by approximately RMB22.6 million or 73.0% from approximately RMB30.9 million for the First Half 2020 to approximately RMB8.3 million for the First Half 2021, which was principally due to the substantial decline of approximately 72.5% in revenue attributable to the mobile games development and operation for the First Half 2021 as compared to the First Half 2020, 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 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).

The loss for the First Half 2021 is approximately RMB17.1 million, decreased by approximately RMB24.3 million or 337.5% from the profit of approximately RMB7.2 million for the First Half 2020. Such decrease was primarily due to (i) the decrease in the gross profit generated from mobile games of approximately RMB21.0 million and gross profit generated from the digital media content distribution of approximately RMB2.0 million; and (ii) the increase in the research and development expenses of approximately RMB10.2 million, administrative expenses of approximately RMB3.5 million and selling and distribution expenses of approximately RMB3.3 million, which were net off by the decrease in the listing expenses of approximately RMB11.1 million and income tax expense of approximately RMB4.2 million.

OUTLOOK

The Group has always been committed to be a digital entertainment content provider. According to an independent third-party research report, driven by the evolving mobile communication technologies, the increasing penetration of mobile users and the ensuing shift of entertainment consumption towards mobile devices, the PRC's mobile game market has become the fastest-growing and a strategically important segment within the PRC's game market. The PRC's mobile game market grew rapidly at a compounded annual growth rate (“CAGR”) of 25.3% from RMB97.2 billion in 2016 to RMB239.6 billion in 2020 and is expected to reach RMB432.1 billion in 2025, representing a CAGR of 12.5% from 2020 to 2025. The mobile game market size as a percentage of the PRC's game market size increased from 55.3% in 2016 to 77.7% in 2020 and is expected to further increase to 85.6% in 2025.

In the First Half 2021, the economy of the PRC recovered gradually from the impact of the COVID-19 pandemic, movement restrictions were largely removed, and people placed less reliance on games and entertainment to connect with each other as compared with the corresponding period last year. In addition, 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. However, based on the current situation of the COVID-19, our mobile games can continue to be downloaded and played by players and digital media content can continue to be subscribed with all settlement services continued. We are also able to continue our cooperation with our suppliers and business partners through electronic media and telephone and remote access to our information technology system.

With the resurgence of the pandemic from time to time and the tightening regulatory requirements, the internal and external situations will remain complicated and tough. The Group will actively explore opportunities for partnership that could generate synergies and enhance the stability and diversity of our revenue, so as to cope with the increasing competition in the industry and the possible impacts caused by constantly changing industry policies on the principal business of the Company.

PROSPECTS

For the second half of 2021, the Company will continue to switch its focus from single-player mobile games development and operation business to multi-player mobile games development and operation business due to the unexpected change of player preference from single-player mobile games to multi-player mobile games since the second quarter of 2020, which is in line with the business strategy of the Group as disclosed in the 2020 Annual Report. During the First Half 2021, the Company launched one new multi-player mobile game in February 2021, which was relatively less favourable than expected, in view of this situation, the Board decided to speed up the development and launching of new games, hence, the Company launched additional two multi-player mobile games in June 2021, the revenue generation ability of these new multi-player mobile games was not fully reflected in the financial results of the Group in the First Half 2021.

As page 4 of the 2020 Annual Report states that the Company plans to launch two multi-player mobile games in 2021, the plan has been fulfilled in the First Half 2021. 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, one of the additional three new multi-player mobile games was launched in June 2021 with the remaining two launched in July 2021 and expected to be launched by the end of 2021, respectively. The revenue generation ability and the market acceptance of the two new multi-player mobile games launched in June 2021 and the two new multi-player mobile games launched in second half of 2021 is yet to be seen in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Mobile Game

The mobile game consists of development and operation of mobile games and information services where the Group cooperated with corporate customers to integrate media content in some of the mobile games the Group operates.

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

	Six months ended 30 June		
	2021	2020	Change (%)
Game			
Number of paying players ('000)	41.4	1,681.0	-97.5
Average MPUs ('000)	6.9	280.2	-97.5
Average ARPPU (RMB)	542.29	60.07	802.8

- MPUs. The average monthly paying users ("MPUs") for the game business decreased to approximately 6,900 for the First Half 2021 from approximately 0.3 million for the First Half 2020. Such decrease was primarily due to the gradual change of player preference from single-player mobile games to multi-player mobile games since the second quarter of 2020 and resulted in the significant decrease in the number of paying players from single-player mobile games in the First Half 2021.
- ARPPU. Monthly average revenue per paying user ("ARPPU") level of game business increased to approximately RMB542.29 for the First Half 2021 as compared to approximately RMB60.07 for the First Half 2020. Such increase was primarily due to the fact that much larger proportion of game revenue was derived from multi-player mobile game development and operation for the First Half 2021, particularly the Group operated 14 multi-player mobile games for the First Half 2021 which offered virtual items at a relatively high unit purchase price.

The following table sets forth the Group's interim condensed consolidated statement of profit or loss for the First Half 2021 as compared to the First Half 2020:

	Six months ended 30 June		Change (%)
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)	
Revenue	31,201	99,809	-68.7
Cost of sales	(22,862)	(68,897)	-66.8
Gross profit	8,339	30,912	-73.0
Other income and gain, net	3,617	1,525	137.2
Selling and distribution expenses	(3,906)	(620)	530.0
Administrative expenses	(9,774)	(6,303)	55.1
Research and development expenses	(12,980)	(2,762)	369.9
Impairment of trade receivables	(1,906)	(140)	1,261.4
Other expenses	(54)	(10,934)	-99.5
Finance costs	(24)	(136)	-82.4
Share of results of associates	(338)	—	N/A
Profit/(loss) before tax	(17,026)	11,542	-247.5
Income tax expense	(106)	(4,330)	-97.6
Profit/(loss) for the period	(17,132)	7,212	-337.5

Revenue

Revenue decreased by approximately RMB68.6 million or 68.7% to approximately RMB31.2 million for the First Half 2021 from approximately RMB99.8 million for the First Half 2020. The following table sets forth the revenue of the Group by business segment for the six months ended 30 June 2020 and 2021:

	Six months ended 30 June			
	2021 <i>RMB'000</i> (Unaudited)	% to total revenue	2020 <i>RMB'000</i> (Unaudited)	% to total revenue
<i>Revenue from contracts with customers</i>				
Mobile games				
— Development and operation	24,875	79.7	90,329	90.5
— Information services	—	—	144	0.1
Digital media content distribution	6,326	20.3	9,336	9.4
Total Revenue from contracts with customers	31,201	100.0	99,809	100.0

- Revenue generated from the Group's mobile games decreased by approximately RMB65.6 million or 72.5% to approximately RMB24.9 million for the First Half 2021 from approximately RMB90.5 million for the First Half 2020. Such decrease was primarily due to the substantial decline of approximately 64.8% in revenue attributable to the multi-player mobile games in the First Half 2021 as compared to the same period of 2020, which was principally due to 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 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).
- Revenue generated from the Group's digital media content distribution decreased by approximately RMB3.0 million or 32.2% to approximately RMB6.3 million for the First Half 2021 from approximately RMB9.3 million for the First Half 2020. Such decrease was primarily due to the further decrease in subscribers resulting from the temporary halt of services of the Group's major distribution platform for the upgrade of the user interface and subscribers' preference and taste shift from e-magazines to other newly emerging digital media content platforms during the First Half 2021.

Cost of sales

Cost of sales decreased by approximately RMB46.0 million or 66.8% to approximately RMB22.9 million for the First Half 2021 from approximately RMB68.9 million for the First Half 2020. The decrease was mainly due to the decrease in service fee charged by the Group's distribution channel providers in line with the decrease in revenue. For the First Half 2021, the percentage of cost of sales to total revenue increased to approximately 73.3% (for the First Half 2020: 69.0%) mainly due to lower gross profit margin of multi-player mobile games than the single-player mobile games.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB3.3 million or 530.0% to approximately RMB3.9 million for the First Half 2021 from approximately RMB0.6 million for the First Half 2020. The increase was principally due to the general increasing level of competition intensity in the PRC's game industry resulting in the top-set places in the distribution platforms were mostly occupied by the games operated by major game operators.

Administrative expenses

Administrative expenses increased by approximately RMB3.5 million or 55.1% to approximately RMB9.8 million for the First Half 2021 from approximately RMB6.3 million for the First Half 2020. The increase in administrative expenses was mainly attributable to the increase in the professional fees for the First Half 2021.

Research and development expenses

Research and development expenses increased by approximately RMB10.2 million or 369.9% to approximately RMB13.0 million for the First Half 2021 from approximately RMB2.8 million for the First Half 2020. The increase in research and development expenses 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 the business strategy of the Group as disclosed in the 2020 Annual Report.

Other income and gains, net

Other income and gains, net increased to approximately RMB3.6 million for the First Half 2021 from approximately RMB1.5 million for the First Half 2020. The increase was mainly due to the increase in government grants.

Impairment of trade receivables

Impairment of trade receivables was approximately RMB1.9 million for the First Half 2021 as compared to approximately RMB0.1 million for the First Half 2020, which was due to the decrease in recovery rate of trade receivables during the same period.

Other expenses

Other expenses were approximately RMB54,000 for the First Half 2021, as compared to other expenses of approximately RMB10.9 million for the First Half 2020. The decrease was mainly due to the decrease in listing expenses of approximately RMB11.1 million for the First Half 2021.

Finance costs

Finance cost decreased to approximately RMB24,000 for the First Half 2021 from approximately RMB0.1 million for the First Half 2020, which was mainly due to the conversion of pre-IPO convertible bonds in the First Half 2020.

Income tax expense

The income tax expense for the First Half 2021 was approximately RMB0.1 million, decreased by 97.6% from approximately RMB4.3 million for the First Half 2020. Such significant decrease was mainly attributable to the decrease in taxable income during the same period.

Profit/(loss) for the period

Based on the foregoing, the loss for the First Half 2021 was approximately RMB17.1 million, as compared to the profit of approximately RMB7.2 million for the First Half 2020.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Cash and cash equivalents	<u>15,534</u>	<u>47,156</u>

The Group's total cash and cash equivalents amounted to approximately RMB15.5 million as at 30 June 2021, as compared to approximately RMB47.2 million as at 31 December 2020. The decrease was mainly due to the increase of payment to professional parties in order to strengthen the Group's marketing ability and research and development ability.

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of fundings, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in Renminbi ("RMB"), followed by Hong Kong dollars ("HKD").

The Group did not have any bank borrowing balance as at 30 June 2021 and 31 December 2020. As at 30 June 2021, the Group's gearing ratio (calculated as bank borrowing divided by total assets) was nil (As at 31 December 2020: nil). The borrowing requirements of the Group are not subject to seasonality.

MATERIAL ACQUISITION AND DISPOSAL

During the First Half 2021, the Group did not have any material acquisition or disposal.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

As at 30 June 2021, the Group had a total of 44 employees, the majority of whom are based in Guangzhou. Total staff costs were approximately RMB5.1 million for the First Half 2021. The Group provides employees with competitive remuneration and various benefits including housing, pension, medical and unemployment benefit plan, and the Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group provide customized and continuous on-the-job training to our new employees by experienced mentors from relevant teams or departments.

EVENT AFTER THE REPORTING PERIOD

There were no significant subsequent events during the period from 30 June 2021 to the approval date of the unaudited interim condensed consolidated financial statements of the Company for the First Half 2021 by the Board.

PRINCIPAL RISKS AND UNCERTAINTIES

Although the Group has successfully established its mobile games, there are certain risks that could adversely affect the Group's operations and financial results due to the immaturity of the mobile game industry in PRC. The major hurdles include (i) new policies or any amendment to current policies in relation to mobile game industry; (ii) reliance on distribution channel providers; (iii) the game portfolio included games that are self-developed or licensed games, so the Group's operations may be adversely affected if the Group cannot seek alternatives in a timely manner; and (iv) the Group may be exposed to payment delays or defaults from settlement agents, which would adversely affect the Group's cash flow and financial results.

Meanwhile, for the Group's established digital media content, the major hurdles include external interruptions such as system disruption, hacking or service suspension on any of the distribution platforms or the publishing platforms.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2021	2020
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	31,201	99,809
Cost of sales		(22,862)	(68,897)
Gross profit		8,339	30,912
Other income and gain, net	4	3,617	1,525
Selling and distribution expenses		(3,906)	(620)
Administrative expenses		(9,774)	(6,303)
Research and development expenses		(12,980)	(2,762)
Impairment of trade receivables		(1,906)	(140)
Other expenses		(54)	(10,934)
Finance costs		(24)	(136)
Share of results of associates		(338)	–
Profit/(loss) before tax	5	(17,026)	11,542
Income tax expense	6	(106)	(4,330)
Profit/(loss) for the period		(17,132)	7,212
Attributable to:			
Owners of the parent		(17,398)	5,758
Non-controlling interests		266	1,454
		(17,132)	7,212
Earnings/(loss) per share attributable to ordinary equity holders of the parent	8		
Basic		RMB(3.2) cents	RMB1.2 cents
Diluted		RMB(3.2) cents	RMB1.2 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	(17,132)	7,212
Other comprehensive income/(loss)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(1,051)</u>	<u>1,247</u>
Total comprehensive income/(loss) for the period	<u>(18,183)</u>	<u>8,459</u>
Attributable to:		
Owners of the parent	<u>(18,449)</u>	<u>7,005</u>
Non-controlling interests	<u>266</u>	<u>1,454</u>
	<u>(18,183)</u>	<u>8,459</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		812	469
Right-of-use assets		1,331	–
Interests in associates		23,369	22,207
Equity investments designated at fair value through other comprehensive income		3,600	3,600
Prepayments and deposits		41,190	47,886
Total non-current assets		70,302	74,162
Current assets			
Trade receivables	9	53,732	57,948
Prepayments, deposits and other receivables		82,452	62,231
Financial asset at fair value through profit or loss		13,462	13,672
Cash and cash equivalents		15,534	47,156
Total current assets		165,180	181,007
Current liabilities			
Trade payables	10	6,941	5,013
Contract liabilities		1,488	4,954
Other payables and accruals		11,292	13,952
Lease liabilities		497	–
Tax payable		777	2,824
Total current liabilities		20,995	26,743
Net current assets		144,185	154,264
Total assets less current liabilities		214,487	228,426
Non-current liabilities			
Lease liabilities		944	–
Deferred tax liabilities		2,164	2,164
Total non-current liabilities		3,108	2,164
Net assets		211,379	226,262

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
EQUITY		
Equity attributable to owners of the parent		
Issued capital	4,946	4,946
Reserves	<u>191,800</u>	<u>210,249</u>
	196,746	215,195
Non-controlling interests	<u>14,633</u>	<u>11,067</u>
Total equity	<u><u>211,379</u></u>	<u><u>226,262</u></u>

NOTES

1. CORPORATE AND GROUP INFORMATION

Jiu Zun Digital is a limited liability company incorporated in the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. On 28 April 2021, the principal place of business of the Company was changed from Suite 1801, R&F To-win Building, 30 Huaxia Road, Zhujiang New Town, Tianhe District, Guangzhou, PRC to Room B102, 1st Floor, Dongcheng Building, 58 Jianzhong Road, Tianhe District, Guangzhou, PRC. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 March 2020.

The Company is an investment holding company. During the period, the Company’s subsidiaries were principally engaged in the development and operation of mobile games and the distribution of digital media content in Mainland China.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

The interim condensed consolidated financial information has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and financial asset at fair value through profit or loss which have been measured at fair value. They are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to

measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendment did not have any impact on the financial position and performance of the Group.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the six months ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. The amendment did not have any material impact on the financial position and performance of the Group for the six months ended 30 June 2021.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in mobile game development and operation and digital media content distribution in Mainland China. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) Revenue from external customers

All significant external customers of the Group are located in Mainland China. Accordingly, no geographical information of revenue from external customers is presented.

(b) Non-current assets

All significant non-current assets of the Group are located in Mainland China. Accordingly, no geographical information of non-current assets is presented.

Information about major customers

No revenues from the Group's transactions with a single customer amounted to 10% or more of the Group's revenues for the six months ended 30 June 2021 and 2020.

4. REVENUE, OTHER INCOME AND GAIN, NET

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Mobile games		
— Development and operation	24,875	90,329
— Information services	—	144
Digital media content distribution	6,326	9,336
	<hr/>	<hr/>
Total revenue from contracts with customers	31,201	99,809
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
Point in time (<i>note (a)</i>)	6,356	29,230
Over time (<i>note (b)</i>)	24,845	70,579
	<hr/>	<hr/>
Total revenue from contracts with customers	31,201	99,809
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) Including revenue from single-player mobile games. Since they are downloaded and are fully functional once installed on each individual mobile device, the Group does not have the obligation for game operation and maintenance once the game is downloaded and neither has the access to the game data of each mobile device. Revenue is recognized upon the purchase of in-game items and premium features by players and all other criteria for revenue recognition are met.
- (b) Including revenue from multi-player mobile games. Since the Group has an implied obligation to provide the service which enables the virtual items to be consumed, revenue is recognized ratably over the estimated average playing period of paying players, starting from the time when virtual items are delivered to the players' accounts and all other revenue recognition criteria are met.

An analysis of other income and gain, net is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Interest income	86	831
Government grants*	2,383	447
Others	1,021	247
	<u>3,490</u>	<u>1,525</u>
Gain, net		
Fair value gain on financial asset at fair value through profit or loss, net	127	–
	<u>3,617</u>	<u>1,525</u>

* The balance represented government grants received by certain subsidiaries as these subsidiaries were qualified as High and New Technology Enterprises in the PRC and government subsidiaries received from the local government for employment support and business operation support in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of sales	22,862	68,897
Depreciation of property, plant and equipment	87	168
Depreciation of right-of-use assets	177	182
Lease payments not included in the measurement of lease liabilities	401	554
Employee benefit expense (including directors' remuneration):		
Wages, salaries, bonuses and allowances	4,566	5,378
Pension scheme contributions	558	208
	<u>5,124</u>	<u>5,586</u>
Impairment of trade receivables, net	1,906	140
Reversal of impairment of deposits [#]	–	(155)
Write-off of items of property, plant and equipment	54	2

[#] Included in "Other expenses" in the interim condensed consolidated statement of profit or loss

6. INCOME TAX EXPENSE

All subsidiaries of the Group established in the PRC are subject to PRC corporate income tax at a standard rate of 25% during the period, except for:

- (i) Certain subsidiaries of the Group, which qualified as High and New Technology Enterprises in Mainland China, were entitled to a lower PRC corporate income tax rate of 15%;
- (ii) Certain subsidiaries of the Group applied the Small-Scaled Minimal Profit Enterprise Income Tax Preferential Policy announced by the PRC's State Administration of Taxation; and
- (iii) A subsidiary of the Group was qualified as a software enterprise by Guangdong Software Industry Association and was entitled to tax exemption for two years and thereafter to a preferential rate at half of the corporate income tax rate for three years.

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current — Mainland China		
Charge for the period	106	3,939
Deferred	—	391
	<hr/>	<hr/>
Total tax charge for the period	106	4,330
	<hr/> <hr/>	<hr/> <hr/>

7. DIVIDENDS

The board of directors does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

During the six months ended 30 June 2020, a subsidiary of the Group declared dividend of approximately RMB13,613,000 to its then shareholders for settlement of amounts due from the then shareholders to the Group before listing.

The 2019 final dividend of HK2.52 cents per ordinary share which amounted to approximately RMB12,362,000 was recognized as distribution during the six months ended 30 June 2020.

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

The calculation of the basic earnings/(loss) per share for the period is based on the loss for the period attributable to owners of the parent of RMB17,398,000 (six months ended 30 June 2020: profit of RMB5,758,000), and the weighted average number of ordinary shares of 546,000,000 (six months ended 30 June 2020: 465,944,615) in issue during the period.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the period.

During the six months ended 30 June 2020, the calculation of the diluted earnings per share is based on the profit for the period attributable to owners of the parent, adjusted to reflect the interest on the convertible bonds.

The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during that period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to had been issued at no consideration on the deemed conversion of the convertible bonds into ordinary shares.

The calculation of basic and diluted earnings per share for the six months ended 30 June 2020 was based on:

	Six months ended 30 June 2020 <i>RMB'000</i> (Unaudited)
Earnings	
Profit attributable to owners of the parent, used in the basic earnings per share calculation:	5,758
Interest on convertible bonds	<u>119</u>
Profit attributable to owners of the parent before interest on convertible bonds	<u><u>5,877</u></u>
	Number of shares Six months ended 30 June 2020
Shares	
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	465,944,615
Effect of dilution — weighted average number of ordinary shares: Convertible bonds	<u>11,609,231</u>
	<u><u>477,553,846</u></u>

9. TRADE RECEIVABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables	59,445	61,755
Impairment	<u>(5,713)</u>	<u>(3,807)</u>
	<u><u>53,732</u></u>	<u><u>57,948</u></u>

The Group's trading terms with its trade debtors are on credit. The credit periods range from 30 to 90 days during the period. The Group seeks to maintain strict control over its outstanding trade receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	As at	
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 30 days	1,756	1,929
31 to 60 days	1,066	1,607
61 to 90 days	1,158	1,450
91 to 180 days	2,102	4,242
181 to 365 days	4,703	14,710
Over 365 days	42,947	34,010
	53,732	57,948

10. TRADE PAYABLES

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

	As at	
	30 June	31 December
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 1 month	2,179	359
1 to 2 months	286	533
2 to 3 months	272	507
Over 3 months	4,204	3,614
	6,941	5,013

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 90 days.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the First Half 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

USE OF PROCEEDS FROM THE LISTING

The net proceeds raised by the Company from the listing of the Shares on the Main Board of the Stock Exchange (“**Listing**”) are approximately RMB79.2 million (after deduction of the underwriting commissions in respect of the offering and other estimated expenses). For the First Half 2021, the initial public offering of the Shares on the Stock Exchange (“**IPO**”) proceeds were utilized in accordance with the intended purposes stated in the Prospectus published by the Company, with the balance amounted to approximately RMB12.0 million. The balance of IPO proceeds will continue to be utilized according to the manner and proportions as disclosed in the Prospectus.

Since 17 March 2020 which dealings in Shares first commence on the Stock Exchange (the “**Listing Date**”) and up to 30 June 2021, the net proceeds from the Listing had been applied as follows:

	Net amount available as at 17 March 2020 <i>RMB million</i>	Actual net amount utilized as at 30 June 2021 <i>RMB million</i>	Unutilized net amount as at 30 June 2021 <i>RMB million</i>	Expected timeline for utilising the remaining net proceeds (<i>Note</i>)
Expand market share in single-player mobile games	19.2	14.7	4.5	By 31 December 2021
Expedite multi-player mobile game market	12.2	6.0	6.2	By 31 December 2021
Obtain licensing rights of popular entertainment properties	16.1	16.1	–	N/A
Enrich our digital media content	1.0	0.1	0.9	By 31 December 2021
Strategic acquisitions and partnerships with mobile game developers	24.1	24.1	–	N/A
Working capital and general corporate use	6.6	6.2	0.4	By 31 December 2021
Total	<u>79.2</u>	<u>67.2</u>	<u>12.0</u>	

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

Audit and Compliance Committee

The audit and compliance committee of the Company have reviewed with the Board about the accounting standards and practices adopted by the Group and the interim condensed consolidated financial information of the Company for the First Half 2021.

Corporate Governance Code

The Company has committed to delivering and maintaining a higher standard of corporate governance to meet business needs and shareholders' expectation. The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as the basis of the Company's corporate governance practices. The Company had complied with all the applicable code provisions of the CG Code during the First Half 2021.

Model Code for Securities Transactions by Directors

The Company has adopted the code of conduct and procedures governing Directors' securities transactions in stringent compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the code of conduct and procedures governing Directors' securities transactions during the First Half 2021.

Publication of the Unaudited Condensed Consolidated Interim Results and 2021 Interim Report

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jiuzundigital.com). The interim report of the Company for the First Half 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

Appreciation

The Board would like to express its sincere gratitude to the Shareholders, management teams, employees, business partners and customers of the Group for their continued support and contribution to the Group.

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

Hong Kong, 26 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; and the independent non-executive Directors are Mr. ZHAO Junfeng, Mr. ZHUANG Wensheng and Ms. SONG Yi.