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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 (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) 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) (the “**SFO**”) and Practice Note 2 of The Code on Takeovers and Mergers (the “**Takeovers Code**”).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2021 and the information currently available to the Company, it is expected that the Group may record a net loss of not less than RMB80 million but not more than RMB90 million for the year ended 31 December 2021 (“**FY2021**”) as compared to a net profit of approximately RMB1.0 million for the year ended 31 December 2020 (“**FY2020**”).

The Board believes that the decline in the Group’s results is mainly due to, among other things:

- (i) the substantial decline of approximately 30% to 35% in revenue which was principally due to (I) the substantial decline in revenue contribution attributable to the single-player mobile games for FY2021 as compared to FY2020 of more than 90%; and (II) the substantial decline in revenue contribution attributable to two popular multi-player mobile games for FY2021 as compared to FY2020 of approximately 75% to 85% and more than 90%, respectively. Given that both games were launched in the first half of the year ended 31 December 2019 and were approaching to the latter part of their game life cycle, their revenue generation ability significantly decreased for FY2021 as compared to FY2020 (for more information about game life cycle, please refer to page 45 of the prospectus of the Company dated 27 February 2020). 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 15 for FY2020

to 20 for FY2021, the revenue generation ability of those newly launched multi-player mobile games for FY2021 could not be able to mitigate the substantial decline in revenue contribution attributable to the aforesaid two popular multi-player mobile games;

- (ii) the substantial increase in research and development expenses for FY2021 as compared to FY2020, 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 FY2020. The Board estimates that the increase in research and development expenses for FY2021 exceeded RMB20 million as compared to FY2020;
- (iii) the substantial increase in selling and distribution expenses for FY2021 as compared to FY2020, which was principally due to the general increasing level of competition intensity in China's gaming industry in the top-set places in the distribution platforms being mostly occupied by the games operated by major game operators. The Board estimates that the increase in selling and distribution expenses for FY2021 exceeded RMB19 million as compared to FY2020; and
- (iv) the substantial increase in impairment of trade receivables for FY2021 of more than RMB13 million as compared to FY2020, which was due to the decrease in recovery rate of trade receivables during FY2021.

As the Company is still in the process of preparing and finalising the annual results for FY2021, the information contained in this announcement is only a preliminary assessment made by the Board and the Company's management based on a preliminary review of the unaudited consolidated management account of the Group for FY2021 and the information currently available to the Group, which has not been audited nor confirmed by the auditors or the audit committee of the Company, and is subject to further changes and adjustments. The annual results announcement of the Company for FY2021 is expected to be published on 24 March 2022.

The profit warning included in this announcement (the “**Profit Warning**”) constitutes a profit forecast under Rule 10 of Takeovers Code and should be reported on by the Company's financial adviser and auditors or accountants in accordance with Rule 10.4 of the Takeovers Code. As the Profit Warning was made pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) of Part XIVA of the SFO, which require the Company to disclose any inside information as soon as practicable and given the time constraints, the Company has encountered genuine practical difficulties in meeting the requirements of Rule 10.4 of the Takeovers Code. Accordingly, the Profit Warning does not meet the standard required by Rule 10 of the Takeovers Code.

Under Rule 10.4 and Practice Note 2 of the Takeovers Code, if the Profit Warning is first published in an announcement, it must be repeated in full, together with the reports from the Company's financial advisers and auditors or accountants on the Profit Warning, in the next document to be sent to the Shareholders (the "**Shareholders' Document**"). The Profit Warning will be reported on by the Company's financial advisers and auditors or accountants as soon as possible in compliance with the Takeovers Code and such reports will be contained in the next Shareholders' Document. However, if the annual results announcement of the Company for FY2021 which fall within the ambit of Rule 10.9 of the Takeovers Code has been published by the time of release of the next Shareholders' Document and the relevant results together with the notes to the financial statements are included in the next Shareholders' Document, the requirements to report on the Profit Warning under Rule 10.4 of the Takeovers Code will no longer apply.

Warnings: Shareholders and potential investors of the Company should note that the Profit Warning has not been reported on in accordance with the requirements under Rule 10 of the Takeovers Code and does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors of the Company should therefore exercise caution in placing reliance on the Profit Warning in assessing the merits and demerits of the Share Offer (as defined in the Company's announcement dated 7 February 2022). Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Jiu Zun Digital Interactive
Entertainment Group Holdings Limited
九尊數字互娛集團控股有限公司
Mr. Lu Jian
Chairman and Executive Director

Hong Kong, 21 March 2022

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Lu Jian and Mr. Liang Junhua, two non-executive Directors namely Ms. Su Shaoping and Mr. Tsui Wing Tak and two independent non-executive Directors namely Mr. Zhao Junfeng and Mr. Zhuang Wensheng.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.