

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CMGE Technology Group Limited

中手游科技集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0302)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 unaudited consolidated interim results of the Group for the six months ended 30 June 2023 (the “**Reporting Period**”). The interim results for the Reporting Period have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

FINANCIAL SUMMARY

	For the six months ended 30 June	
	2023	2022
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Revenue	1,535,444	1,232,764
Profit/(loss) for the period	50,995	(25,408)
Profit/(loss) for the period attributable to owners of the parent	56,824	(21,901)
Adjusted net profit/(loss)⁽¹⁾	76,168	(15,654)

Note:

1. “Adjusted net profit/(loss)” is not defined under the Hong Kong Financial Reporting Standards (“**HKFRS**”). It is defined by the Group as net profit/(loss) attributable to owners of the parent excluding equity-settled share-based expense which is not operating and recurring in nature. The adjusted net profit/(loss) can more closely reflect the Group’s operating results, after excluding the above-mentioned non-operating item.

BUSINESS REVIEW

Leveraging its advantages and accumulation in the field of game publishing and research and development, and by integrating its own advantageous Intellectual Property (“IP”) resources, the Group has established three major business segments, namely IP game development and global publishing, proprietary IP operation and Chinese-style metaverse platform, and has created the core competitive IP game ecosystem of “IP resources – self-development and joint development – global publishing – proprietary IP operation – Chinese-style metaverse platform (IP資源-自主研發與聯合研發-全球發行-自有IP運營-國風元宇宙平台)”. In 2023, as the issuance of game licences in the Mainland remained normalised, licences have been obtained in respect of a number of the games of the Group. During the first half of 2023, the Group has launched 8 new mobile games which injected new energy into the Group’s game business. Meanwhile, a number of self-developed games have entered the testing stage before launch. With the rapid development of artificial intelligence generated content (“AIGC”) technology, the Group has promptly applied it to self-development and publishing business, which improved the efficiency of game research and development and publishing as well as reduced the cost of research and development and publishing, fully achieving cost reduction and high efficiency. During the first half of 2023, the Group has successfully turned the loss into profit. Revenue of the Group for the six months ended 30 June 2023 was RMB1,535.4 million, representing a period-on-period increase of 24.6%, and the Group realised an adjusted net profit of RMB76.2 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 periods indicated:

	For the six months ended 30 June	
	2023	2022
Average MAUs (thousands)	15,627	12,780
Average MPUs (thousands)	1,132	941.4
ARPPU (RMB)	226.1	218.3
Total new registered users (thousands)	48,683	38,367

IP Game Research and Development and Global Publishing Segment

Global Publishing of IP Games

A role playing card game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) published exclusively by the Group and based on *Legend of Sword and Fairy* (仙劍奇俠傳), the Group's proprietary IP, has been launched in June 2023. With the features of the unique card + RPG + SLG diversified gameplay integration, it has gained strong pursuit from the majority of players. Before the game was launched, the number of reservations on all major platforms exceeded 8 million, and it ranked first in the Top Free Game List and ranked fourteenth in the Best Selling Game List of Apple's App Store in Mainland China during the first month of its launch, as well as receiving Mobile Hardcore Alliance's Super Star Recommendation. The mobile game *Ultraman: The Gathering* (奧特曼:集結), adapted from the official licensed IP of the original Ultraman series produced and licensed by Tsuburaya Productions Co., Ltd. (日本圓谷株式會社) in Japan, researched and developed by Hainan Hemera Information Technology Co., Ltd. (海南赫墨拉信息科技有限公司) ("**Hainan Hemera**"), a company in which the Group has invested, and launched in Mainland China in January 2023, was ranked second in the Top Free Game List of Apple's App Store in Mainland China during the first month of its launch. *Swallowed Star: Dawn* (吞噬星空:黎明), a mobile game researched and developed by the Group's investee company Guangzhou Maiji Information Technology Co., Ltd. (廣州麥吉信息科技有限公司) with China Literature Limited's (閱文集團) first heavyweight IP *Swallowed Star* (吞噬星空) as the basis, has been launched in April 2023. It ranked first in the Top Free Game List and thirty-seventh in the Best Selling Game List of Apple's App Store in Mainland China during the first month of its launch, as well as receiving Mobile Hardcore Alliance's Super Star Recommendation. The mobile card game *Cultivation Fantasy* (我的御劍日記), which was researched and developed by Love Games (Shanghai) Internet Technology Co., Ltd. (樂府互娛(上海)網絡科技有限公司), a company in which the Group has invested, has been launched in May 2023. It ranked first in the TapTap's Popular List, third in the Top Free Game List and twenty-first in the Best Selling Game List of Apple's App Store in Mainland China during the first month of its launch. *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) and *Soul Land: God of Battle Arise* (斗羅大陸:鬥神再臨) which were published by the Group, and games jointly produced by the Group with third parties like *One Piece: The Voyage* (航海王熱血航線) and *Dynasty Warriors: Hegemony* (真·三國無雙霸), and other games which were previously launched and operated, continued to contribute to the revenue and profits of the Group in 2023.

Self-Development

The Group continued to increase the investment in its research and development business. During the first half of 2023, the Group invested in research and development with an amount of RMB266.9 million, which represented a period-on-period increase of 30.6%. *Legend of Sword and Fairy: World* (仙劍世界), which is self-developed by the Group's Mantianxing Studio (滿天星工作室), is China's first open world metaverse game featuring the Chinese fairy and hero theme. *Legend of Sword and Fairy: World* (仙劍世界) adopts eight innovative points of technological advantages, including 24-hour lighting, weather change system, real water flow effect, artificial intelligence (“AI”) non-player character (“NPC”), open world technology, simultaneous online technology for millions of players, high definition model-making and multi-dimensional character customisation and user-generated content (“UGC”) creation tools, which support players to have cross-platform experience on mobile, PC, cloud, console and virtual reality (“VR”), without being constrained by platform and device, and providing players ultra-strong “immersive” playing experience anytime and anywhere. The game, *Legend of Sword and Fairy: World* (仙劍世界), has obtained licence in June 2023, and was publicly revealed for the first time in the same month, which received excellent feedback from massive players and is expected to be officially launched in 2023.

The King of Fighters: All Stars (全明星激鬥)(Name in overseas region: *SNK: All Stars Fight* (SNK: 格鬥世代)), a 3D mobile game self-developed and published by the Group with multiple series officially licensed from SNK Corporation, was launched in Hong Kong, Macau, Taiwan, Singapore and Malaysia in February 2023. During the first month of launch, it ranked first in the Top Free Game List and the highest fifth in the Best Selling Game List of Apple's App Store and the highest first in the Top Free Game List of Google Play Store.

For eSports games, the Group invested and obtained control in Shanghai Zhoujing Network Technology Co., Ltd. (上海洲競網絡科技有限公司) (“**Shanghai Zhoujing**”) in 2022. The research and development target of its project under development, *Street Basketball* (全民街籃), is to create a PC-end eSports quality game, upon the launch of which the Group will organise influential eSports events around the game. The research and development of *Street Basketball* (全民街籃) is currently completed with a licence obtained in May 2023. Multiple rounds of testing will be initiated in the next stage and the game is expected to be launched in 2023.

The mobile game *World of Castellan* (城主天下) which is self-developed by Beijing Wenmai Hudong Technology Company Limited (北京文脈互動科技有限公司) (“**Wenmai Hudong**”), a wholly-owned subsidiary of the Group, has successfully obtained the licence in February 2023. The game has currently entered the final testing stage and it is planned to be exclusively published by 37 Interactive Entertainment (三七互娛) in the mainland market in the second half of 2023. Softstar Technology (Beijing) Co., Ltd. (軟星科技(北京)有限公司) (“**Beijing Softstar**”), a wholly-owned subsidiary of the Group, launched a self-developed game *Legend of Sword and Fairy 7* (仙劍奇俠傳七) in the second half of 2021. As of 30 June 2023, its PC version reached a sales volume of over 550,000; its cloud gaming version reached a sales volume of over 210,000, and its console version was launched in Hong Kong, Macau, Taiwan, Southeast Asia, Japan and North America in August 2022. As of 30 June 2023, its console version achieved a sales volume of over 90,000. The PC game self-developed by Beijing Softstar, *Monopoly 11* (大富翁11), subsequent to its launching on Steam and Switch platforms in October 2022, obtained its licence in March 2023 and was launched on WeGame and Steam China (蒸汽平台) platforms in June 2023. As of 30 June 2023, *Monopoly 10* (大富翁10) and *Monopoly 11* (大富翁11) recorded a global sales volume of over 1,630,000 and 270,000, respectively.

Proprietary IP Operation Segment

In the first half of 2023, revenue derived from the Group’s IP licensing amounted to approximately RMB59.8 million. The Group established a strong presence for the cooperation of the *Legend of Sword and Fairy* (仙劍奇俠傳) IP throughout the industry chain, covering games, films and television, comics and animation, content literature, music, derivatives and real scene entertainment, and collaborated with top partners in related fields to jointly build the *Legend of Sword and Fairy* (仙劍) IP universe. The *Legend of Sword and Fairy*’s first fan community, the *Sword and Fairy Alliance* (仙劍聯盟), has been opened for users’ registration since April 2023.

Sword and Fairy: Wen Qing (新仙劍奇俠傳之揮劍問情), a role playing card game, has been successfully launched by the Group in June 2023. *Legend of Sword and Fairy: World* (仙劍世界), self-developed by the Group’s Mantianxing Studio (滿天星工作室), is China’s first open world game featuring the Chinese fairy and hero theme. It is currently in the testing stage. The idle game *Legend of Sword and Fairy: A New Beginning* (仙劍奇俠傳:新的開始) which was co-developed by the Group and Kingnet (愷英網絡), has obtained a licence and will be launched in 2023. The large scale MMORPG mobile game, *Legend of Sword and Fairy • Yuanqi* (仙劍 • 緣起) developed by the Group and Alibaba’s Lingxi Games (靈犀互娛), has entered the final stage of testing.

Following the successful launch of the game *Legend of Sword and Fairy 4 VR* (仙劍奇俠傳四VR), the Group cooperated with Immersive World (沉浸世界) and launched the VR game *Legend of Sword and Fairy 1 VR* (仙劍奇俠傳一VR) in 2022. The Group entered into a strategic cooperation with DPVR (大朋VR), a terminal enterprise of VR. The Group also entered into cooperation with PICO, a XR brand under ByteDance (字節跳動). The VR game of *Legend of Sword and Fairy* (仙劍奇俠傳) is expected to be launched on DPVR and PICO VR platform in 2024.

In terms of films and television, the Group has reached a long-term strategic cooperation with Tencent Video on the *Legend of Sword and Fairy* (仙劍) IP. The shooting of films and television series, *Legend of Sword and Fairy 1* (仙劍奇俠傳一), which was co-produced by the Group and Tencent Video, has completed in 2022, and is expected to be broadcasted in 2023. Tencent Video will further cooperate with the Group to produce film and television series of *Legend of Sword and Fairy 3* (仙劍奇俠傳三). The animation series of *Legend of Sword and Fairy 1* (仙劍奇俠傳一) and *Legend of Sword and Fairy 3* (仙劍奇俠傳三), cooperated by the Group with Tencent Video, are being produced. The animation series of *Legend of Sword and Fairy 3* (仙劍奇俠傳三) is expected to be broadcasted in the summer of 2024. Meanwhile, the *Sword and Fairy World* (仙劍世界) will also become an important part of the co-creation process of the Group and Tencent Video in terms of the Chinese fairy and hero theme. Both parties give full play to their respective resource advantages and jointly promote this masterpiece of the game with the Chinese fairy and hero theme. The shooting of film and television series of *Legend of Sword and Fairy 4* (仙劍奇俠傳四), which was co-produced by the Group and iQiyi (愛奇藝), and film and television series of *Legend of Sword and Fairy 6* (仙劍奇俠傳六), which was co-produced by the Group and Shandong Film and Television Production Co., Ltd. (山東影視製作股份有限公司) (“**Shandong Film and Television**”), the producer of hit television dramas such as *Nirvana in Fire* (琅琊榜) and *The Disguiser* (偽裝者), have completed in 2022, and are expected to be broadcasted in 2023. The internet movie *Jiu Jian Xian* (酒劍仙) co-produced by the Group and Jetsen (捷成世紀) is scheduled to be released in the second half of 2023. In July 2023, the Group successfully held the 28th Anniversary of *Legend of Sword and Fairy* (仙劍奇俠傳) through livestreaming on Bilibili, delivering extensive visual and audio experiences to players. After the publishment of physical book of *Legend of Sword and Fairy 4* (仙劍奇俠傳四), the second physical book of *Legend of Sword and Fairy* (仙劍) series, *Legend of Sword and Fairy 1* (仙劍奇俠傳一), has been submitted to the press for publication in May 2023.

In 2023, the Group collaborated with Good Smile Arts (良笑塑美), Pantasy (拼奇積木), Reverse Studio (逆轉工作室) and other well-known partners to jointly launch Chinese-style products, including Nendoroid Descendants of Nuwa (黏土人女媧後人), figure of Liu Mengli (柳夢璃手辦), the 98 edition of *Legend of Sword and Fairy* · Blocks in Single Machine Era (仙劍98版·單機時代積木), square head blocks for main characters of *Legend of Sword and Fairy* (仙劍) series, figure of Zhao Linger of Shi Hua Ji (趙靈兒拾花集手辦), and will cooperate 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, TriEagles Studio, Myethos, Light Year Studio (光年工作室), Huwan (胡玩文化), MCSD (模潮時代) and other renowned model play companies to launch Xiao Ya Ji (小雅集) – statue of Zhao Linger (趙靈兒), figure of A Nu (阿奴), statue of Zhao Linger (趙靈兒), *Legend of Sword and Fairy* (仙劍) Gift + series of figures, statue of Zixuan (紫萱), statue of Kuiyu (魁予), action figure of soldier of Lin Yueru (林月如), statue of Nuwa · Dream of Snake (女媧聖靈·夢蛇) and other figures.

Chinese-style Metaverse Platform - Sword and Fairy World (仙劍世界)

Legend of Sword and Fairy: World (仙劍世界), which was self-developed by the Group's Mantianxing Studio (滿天星工作室), opened for reservation in April 2023. Its first game on gameplay demo (“**Real machine PV**”) was released on 27 April 2023. Leveraging the research and development team's rich experience and knowledge in open world RPG technology and virtual reality technology, and blending users' original creative content and the extensive social networking functions, the game will provide players with a highly differentiated immersive experience. In the World of the *Legend of Sword and Fairy* (仙劍大世界), players can engage in their development and evolution with different virtual identities, choose the ways of living, playing and socialising in the World of the *Legend of Sword and Fairy* (仙劍大世界) based on their own philosophy, and explore the world of game as they wish and dream.

The Group becomes the first ecosystem partners of ERNIE Bot (文心一言) of Baidu in February 2023, and the leading intelligent conversation technology results of Baidu will be applied in the field of open world games. This also symbolises that *Legend of Sword and Fairy: World* (仙劍世界), a game which is researched by the Group, and an open world metaverse game featuring the Chinese fairy and hero theme, will be preferentially supported by the leading AI technology. In May 2023, the Group reached a wide range of cooperation with Microsoft in cloud computing, big data, Azure OpenAI and other information technology areas. *Legend of Sword and Fairy: World* (仙劍世界) will be firstly equipped with the AI large model technology locally. We will conduct customised optimisation and trainings on special large language model of *Legend of Sword and Fairy: World* (仙劍世界), which can provide players with a more immersive game experience. *Legend of Sword and Fairy: World* (仙劍世界) realises the function of NPC interaction through AI. NPC can acquire individual background stories and personalities, and is able to communicate with players freely. NPC can react to the pre-set personalities, and thus affecting the subsequent plot development of the game. Through the integration of AIGC technology, *Legend of Sword and Fairy: World* (仙劍世界) aims to provide an immersive experience of “everything can be interacted” to players. The UGC creation tool, combined with AI technology, will enable users to create rich content at a lower cost and better convenience.

The *Legend of Sword and Fairy: World* (仙劍世界) has obtained the licence of both mobile phone and PC in June 2023 and several rounds of testing will begin in the second half of 2023 before launch.

Award and Recognition

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

Award/Recognition	Date of Award	Awarding Institution/Authority
Outstanding Contribution of “Golden Diamond Award” 2022 (金鑽榜2022年度突出貢獻獎)	February 2023	The Department of Culture and Tourism of Guangdong Province (廣東省文化和旅遊廳), Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會)
Social Responsibility of “Golden Diamond Award” 2022 (金鑽榜2022社會責任獎)	February 2023	The Department of Culture and Tourism of Guangdong Province (廣東省文化和旅遊廳), Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會)
2022 Innovative Enterprise in Game Industry (2022年度遊戲行業精益創新企業)	April 2023	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)
2022 Best Overseas Game - Dynasty Warriors: Hegemony (2022年最佳出海遊戲《真·三國無雙霸》)	April 2023	Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會)
Best Game of “3D (Character/Scene) Art Design Award” - The King of Fighters: All Stars (最佳遊戲3D(人物/場景)美術設計獎《全明星激鬥》)	April 2023	China Joy (Howell International Trade Fair Ltd. (上海漢威信恒展覽有限公司))
Outstanding Game of the Year - Rakshasa Street: Chosen One (年度傑出遊戲《鎮魂街:天生為王》)	April 2023	Huawei Cloud (華為雲)

Social Responsibility

The Group has always fulfilled its social responsibility in different dimensions. Having supported the “CMGE Dream Libraries (中手游築夢圖書館)” project for a long time to promote reading among the youth, the Group has steadily pushed forward the project, and set up the eleventh “CMGE Dream Libraries (中手游築夢圖書館)” at Banbidian Central Primary School (半壁店中心小學), Yangjinzhuang Town, Jizhou District, Tianjin in March 2023. The Group was also recognised as an “Outstanding Social Responsibility Performance Enterprise (社會責任表現相對突出的企業)” at the 2022-2023 Game Responsibility Forum (2022-2023遊戲責任論壇) hosted by People’s Daily Online (人民網), as well as the “Social Responsibility Award 2022 (2022年度社會責任獎)” issued by the Department of Culture and Tourism of Guangdong Province (廣東省文化和旅遊廳) and Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會).

The Group 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. To strictly observe the new regulations of the National Press and Publication Administration on preventing addiction for minors, the Group only provides one hour of online gaming service to minors from 8:00 pm to 9:00 pm on Fridays, Saturdays, Sundays and statutory holidays, striving to ensure the healthy growth of minors. All games under the Group have rules restricting the spending by minors. Players under the age of 12 are prohibited from making payments in the games under the Group; minors between the ages of 12 and 16 may not spend more than RMB50 in a single top-up in the games under the Group, and the cumulative monthly recharge amount shall not exceed RMB200; minors between the ages of 16 and 18 may not spend more than RMB100 in a single top-up in the games under the Group, and the cumulative monthly top-up amount shall not exceed RMB400. In 2023, minor players under the age of 18 accounted for less than 0.01% of the Group’s revenue from games in China.

OUTLOOK FOR THE SECOND HALF OF 2023

Global Publishing Plan of IP Games

As the Group’s various important games have obtained licences, the Group has formulated a detailed game publishing plan for achieving growth of results in 2023. The Group will launch *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院), which is the first massive multi-player role playing game (MMORPG mobile game) developed based on the *Soul Land* (斗羅大陸) IP in Mainland China in the second half of 2023, and *Country Love Story* (鄉村愛情故事), a simulation mobile game adapted from *Country Love* (鄉村愛情) IP in the second half of 2023.

For the Hong Kong, Macau and Taiwan and overseas markets, *Rakshasa Street: Chosen One* (鎮魂街:天生為王), a hugely successful mobile game in Mainland China, is expected to be launched in Hong Kong, Macau and Taiwan in the second half of 2023. The game *Dynasty Warriors: Hegemony* (真•三國無雙霸) is expected to be launched in Japan, Europe and the United States in the second half of 2023.

Self-Development of Games and Launch Arrangements

Dynasty-themed strategic mobile game *World of Castellan* (城主天下), which is self-developed by Wenmai Hudong, a wholly-owned subsidiary of the Group, has entered the stage of final testing, and successfully obtained the licence in February 2023, and is planned to be exclusively published by 37 Interactive Entertainment (三七互娛) in the second half of 2023. For games on eSports front, *Street Basketball* (全民街籃), the PC-end eSport game under development by the Group's holding subsidiary Shanghai Zhoujing, has completed its research and development and successfully obtained the licence, and has entered the final testing stage before being launched. It is expected to be launched in 2023. *The King of Fighters: All Stars* (全明星激鬥), *The World of Legend - Thunder Empire* (傳奇世界之雷霆霸業), *Legend of Dragon City* (龍城傳奇) and card and board games that have been launched and operated by the Group will continue to iterate and upgrade, and enhance their contributions to the revenue of the Group for the stable operating period.

Proprietary IP Operation

The Group will be constantly committed to enhancing the value and boosting the vitality and influence of *Legend of Sword and Fairy* (仙劍奇俠傳) IP.

The Group will cooperate with Weiling Times (蔚領時代), a leading cloud service provider invested by the Group, to conduct ecology strategic cooperation in joint construction of mixed reality (“MR”) content and jointly develop a MR interaction game of the *Legend of Sword and Fairy* (仙劍奇俠傳) IP with cinematic level that overturns traditional game experience. The Group and Weiling Times (蔚領時代) will jointly launch Li Xiao Yao (李逍遙), Zhao Linger (趙靈兒), Long Kui (龍葵) and other classic virtual characters, and accelerate the production of abundant game content services for the *Legend of Sword and Fairy: World* (仙劍世界), a cross-end open world and metaverse game with Chinese-style self-developed by the Group based on the game production pipeline under the brand-new AI paradigm of Weiling Times (蔚領時代). The Group will promote *Legend of Sword and Fairy 1* (仙劍奇俠傳一), which was cooperated by the Group and Tencent Video, *Legend of Sword and Fairy 4* (仙劍奇俠傳四), which was cooperated by the Group and iQiyi (愛奇藝), and *Legend of Sword and Fairy 6* (仙劍奇俠傳六), which was co-produced by the Group and Shandong Film and Television to be released from 2023 to 2024. The novel of *Legend of Sword and Fairy* (仙劍奇俠傳) series Yao Tai Xue (瑤台雪) will also be released in 2023. The new edition of the novel *Legend of Sword and Fairy 1* (仙劍奇俠傳一), the novel *Legend of Sword and Fairy 2* (仙劍奇俠傳二), *Xian Xia Zhuan* (仙霞傳) and *Qiong Hua Hou Zhuan* (瓊華後傳) are in the process of creation. After the significant success of The Legend of Sword and Fairy Chinese Traditional Festival Figures Series, the first blind boxes series launched by the Group with Pop Mart (泡泡瑪特), the Group will continue to cooperate with Pop Mart (泡泡瑪特) in 2023 and launch the second blind boxes series The Legend of Sword and Fairy Chinese Traditional Musical Instrument Figures Series.

Focusing on the future, the Group will create more high-quality content targeted for young consumers who are interested in *Legend of Sword and Fairy* (仙劍) IP and Chinese-style elements by various means, so as to continuously enhance the reputation of *Legend of Sword and Fairy* (仙劍奇俠傳) among young people and further enrich the users' interactive experience.

Chinese-style Metaverse Platform - Sword and Fairy World (仙劍世界)

The *Sword and Fairy World* (仙劍世界) obtained the licences for both mobile phone and PC in June 2023 and the Group will carry out multiple rounds of testing and publicity in the second half of 2023. The Group will endeavour to promote launching this game in 2023. Please look forward to it!

Being a company that is full of passion and creativity, all members of the Group will always uphold the values of “integrity, transparency, honesty, in-depth thinking and long-termism (正直守信、透明坦誠、深度思考、長期主義)” and the mission of “creating quality products with passion (用熱愛鑄造精品)”. The Group has been striving to promote China's wonderful traditional culture and socialist values, and becomes a responsible practitioner and a promoter of cultural values. Thanks to Shareholders and investors for your consistent support.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The following sets forth the unaudited condensed consolidated statement of profit or loss for the six months ended 30 June 2023 together with unaudited comparative figures for the six months ended 30 June 2022:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	1,535,444	1,232,764
Cost of sales	<u>(1,019,249)</u>	<u>(731,801)</u>
Gross profit	516,195	500,963
Other income and gains, net	69,573	29,740
Selling and distribution expenses	(120,324)	(114,635)
Administrative expenses	(351,732)	(312,522)
Impairment losses on financial and contract assets, net	(35,114)	(9,168)
Other expenses	(35,674)	(90,678)
Finance costs	(9,859)	(16,340)
Share of loss of a joint venture	—	(54)
Share of profits and losses of associates	9,507	(6,678)
	<u>42,572</u>	<u>(19,372)</u>
Profit/(loss) before tax	42,572	(19,372)
Income tax credit/(expense)	8,423	(6,036)
	<u>50,995</u>	<u>(25,408)</u>
Profit/(loss) for the period	50,995	(25,408)
Attributable to owners of the parent	56,824	(21,901)
Attributable to non-controlling interests	(5,829)	(3,507)
	<u>76,168</u>	<u>(15,654)</u>
Adjusted net profit/(loss)	76,168	(15,654)

Adjusted net profit/(loss)

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit/(loss) for the period attributable to owners of the parent	56,824	(21,901)
<i>Add:</i>		
Equity-settled share-based expense	<u>19,344</u>	<u>6,247</u>
Adjusted net profit/(loss)	<u>76,168</u>	<u>(15,654)</u>

Revenue

The Group derives its revenue from (i) the provision of game publishing services in relation to games developed by third parties; (ii) the licensing and publication of its in-house developed games; and (iii) the licensing of its proprietary IPs to third parties. The table below sets forth the Group's revenue by category for the periods indicated:

	For the six months ended 30 June			
	2023		2022	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Game publishing	<u>1,217,004</u>	<u>79.3</u>	<u>1,019,941</u>	<u>82.7</u>
Game development	<u>258,634</u>	<u>16.8</u>	<u>182,064</u>	<u>14.8</u>
IP Licensing	<u>59,806</u>	<u>3.9</u>	<u>30,759</u>	<u>2.5</u>
Total	<u>1,535,444</u>	<u>100.0</u>	<u>1,232,764</u>	<u>100.0</u>

The Group's revenue increased by approximately 24.6 % from RMB1,232.8 million for the six months ended 30 June 2022 to RMB1,535.4 million for the six months ended 30 June 2023. This increase was primarily attributable to several new games of the Group, such as *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), *Rakshasa Street: Chosen One* (鎮魂街:天生為王), *Cultivation Fantasy* (我的御劍日記), *Swallowed Star: Dawn* (吞噬星空:黎明) and *Ultraman: The Gathering* (奧特曼:集結), which have been launched in the first half of 2023 as scheduled have brought an increase in revenue from the game publishing business of the Group.

Cost of sales

The Group's cost of sales consists primarily of (i) commissions charged by channels and CPs; (ii) amortisation of royalties from games and famous IPs held by third-party game developers and the Group; and (iii) commissions charged by IPs. The table below sets forth the Group's cost of sales by category, and its contribution to the revenue of the Group as a percentage, for the periods indicated:

	For the six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	<i>% to</i>	<i>RMB'000</i>	<i>% to</i>
	<i>(Unaudited)</i>	<i>Revenue</i>	<i>(Unaudited)</i>	<i>Revenue</i>
Commissions charged				
by channels and CPs	827,683	53.9	590,119	47.9
Commissions charged by IPs	46,372	3.0	47,145	3.8
Amortisation of IP royalties	35,715	2.3	8,595	0.7
Amortisation of game royalties	12,323	0.8	11,010	0.9
Others	97,156	6.4	74,932	6.1
Total	1,019,249	66.4	731,801	59.4

The Group's cost of sales increased by approximately 39.3% from RMB731.8 million for the six months ended 30 June 2022 to RMB1,019.2 million for the six months ended 30 June 2023. The increase was primarily attributable to (i) the increase in the Group's overall revenue, resulting in an increase in the commissions charged by channels and CPs accordingly; (ii) the launch of the games *Cultivation Fantasy* (我的御劍日記) and *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) during the Reporting Period by the cooperative publishing channels, which has resulted in an increase in commissions shared by the Group and the publishing channels; and (iii) the publishing of various IP games during the Reporting Period, such as *Ultraman: The Gathering* (奧特曼:集結), which has resulted in a 315.5% increase in amortisation of IP royalties from RMB8.6 million for the six months ended 30 June 2022 to RMB35.7 million for the six months ended 30 June 2023.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by approximately 3.0% from RMB501.0 million for the six months ended 30 June 2022 to RMB516.2 million for the six months ended 30 June 2023. The Group's gross profit margin decreased from 40.6% for the six months ended 30 June 2022 to 33.6% for the six months ended 30 June 2023. The decrease in gross profit margin was mainly due to the launch of the games *Cultivation Fantasy* (我的御劍日記) and *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) by the Group during the Reporting Period by the cooperative publishing channels, which has resulted in an increase in commissions shared by the Group and the publishing channels.

Other income and gains, net

The Group's other income and gains consist primarily of (i) bank interest income; (ii) government grants; and (iii) fair value gains on financial assets at fair value through profit or loss. The table below sets forth the Group's other income and gains by category for the periods indicated:

	For the six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Bank interest income	970	1.4	3,531	11.9
Government grants	11,848	17.0	17,477	58.8
Fair value adjustment of contingent consideration for business combination	—	—	3,949	13.3
Fair value gains on financial assets at fair value through profit or loss	27,769	39.9	—	—
Dividend income from investments	7,561	10.9	—	—
Foreign exchange differences, net	7,088	10.2	1,917	6.4
Others	14,337	20.6	2,866	9.6
Total	69,573	100.0	29,740	100.0

The Group's other income and gains increased by approximately 133.9% from RMB29.7 million for the six months ended 30 June 2022 to RMB69.6 million for the six months ended 30 June 2023. The increase was primarily attributable to (i) certain research and development companies in which the Group invested having a good performance during the Reporting Period and recording an increase in fair value, and the value of stock of certain listing companies held by the Group increased, thereby increasing the fair value gains on financial assets at fair value through profit or loss; and (ii) distribution of dividends from certain investments of the Group during the Reporting Period.

Selling and distribution expenses

The Group's selling and distribution expenses consist primarily of (i) marketing expenses; and (ii) salaries and benefits for its sales and marketing team. The table below sets forth the Group's selling and distribution expenses by category and its contribution to the total revenue of the Group as a percentage for the periods indicated:

	For the six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	<i>% to</i>	<i>RMB'000</i>	<i>% to</i>
	<i>(Unaudited)</i>	<i>Revenue</i>	<i>(Unaudited)</i>	<i>Revenue</i>
Marketing expenses	100,988	6.5	91,220	7.4
Salaries and benefits	13,304	0.9	21,535	1.7
Office costs and utilities	3,008	0.2	1,279	0.1
Others	3,024	0.2	601	0.1
Total	120,324	7.8	114,635	9.3

The Group's selling and distribution expenses increased by approximately 5.0% from RMB114.6 million for the six months ended 30 June 2022 to RMB120.3 million for the six months ended 30 June 2023. The increase was primarily attributable to the publishing of various games by the Group during the Reporting Period, resulting in an increase in promotion expenses.

Administrative expenses

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

	For the six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	<i>% to</i>	<i>RMB'000</i>	<i>% to</i>
	<i>(Unaudited)</i>	<i>Revenue</i>	<i>(Unaudited)</i>	<i>Revenue</i>
Salaries and benefits	49,069	3.2	53,216	4.3
Office costs and utilities	34,445	2.2	54,154	4.4
Research and development expenses	266,859	17.4	204,309	16.6
Others	1,359	0.1	843	0.1
Total	351,732	22.9	312,522	25.4

The Group's administrative expenses increased by approximately 12.5% from RMB312.5 million for the six months ended 30 June 2022 to RMB351.7 million for the six months ended 30 June 2023. The increase was primarily attributable to the increase in the Group's investment in the research and development business. The research and development expenses increased by approximately 30.6% from RMB204.3 million for the six months ended 30 June 2022 to RMB266.9 million for the six months ended 30 June 2023.

Impairment losses on financial and contract assets, net

The Group's impairment losses on financial and contract assets mainly represent impairment losses on trade receivables and other receivables under the relevant management policies of the Group adopted in accordance with HKFRS 9. The amount has increased by 283.0% to RMB35.1 million for the six months ended 30 June 2023, which mainly included impairment of trade receivables of approximately RMB52.9 million and a reversal of expected credit loss of other receivables of approximately RMB17.7 million, from RMB9.2 million for the six months ended 30 June 2022.

Other expenses

The Group's other expenses decreased by approximately 60.7% from RMB90.7 million for the six months ended 30 June 2022 to RMB35.7 million for the six months ended 30 June 2023. The decrease was primarily attributable to (i) the Group's fair value losses on financial assets at fair value through profit or loss turning into gains during the Reporting Period; and (ii) decrease in impairment losses on other intangible assets.

Finance costs

The Group's finance costs mainly consist of interest expenses and have decreased by approximately 39.7% from RMB16.3 million for the six months ended 30 June 2022 to RMB9.9 million for the six months ended 30 June 2023 mainly due to the Group's repayment of parts of the bank borrowings during the Reporting Period and therefore resulting in a decrease in relevant interest expenses.

Share of loss of a joint venture

As at 30 June 2023, the Group held a 60% equity interest in Shenzhen Boliang Technology Co., Ltd. (深圳博良科技有限公司), which is considered as a joint venture of the Group under applicable accounting policies. The Group's share of loss of a joint venture decreased by approximately 100.0% from RMB54,000 for the six months ended 30 June 2022 to nil for the six months ended 30 June 2023.

Share of profits and losses of associates

As at 30 June 2023, the Group held minority equity interests in several associates. The Group's share of profits and losses of associates changed from a loss of RMB6.7 million for the six months ended 30 June 2022 to a profit of RMB9.5 million for the six months ended 30 June 2023. It was primarily attributable to share of profit of RMB17.6 million of Shenzhen Zhichengqianli Investment Enterprise (Limited Partnership) (深圳市志成千里投資企業(有限合夥)), share of loss of RMB4.0 million of Shanghai Fengguo Network Information (上海蜂果網絡科技有限公司), and share of loss of RMB4.3 million of Hangzhou Huanwen Technology Co., Ltd. (杭州幻文科技有限公司).

Profit before tax

As a result of the foregoing, the Group's profit before tax turned from a loss of RMB19.4 million for the six months ended 30 June 2022 to a profit of RMB42.6 million for the six months ended 30 June 2023.

Income tax credit

The Group's income tax expense turned from RMB6.0 million for the six months ended 30 June 2022 to a credit of RMB8.4 million for the six months ended 30 June 2023, mainly due to the recognition for deferred tax credit of RMB17.5 million for the six months ended 30 June 2023.

Profit for the period

As a result of the foregoing, the Group's profit for the period turned from a loss of RMB25.4 million for the six months ended 30 June 2022 to a profit of RMB51.0 million for the six months ended 30 June 2023.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent treasury management policy to ensure that the Group maintains a healthy financial position.

As at 30 June 2023, the Group's total cash and cash equivalents amounted to approximately RMB188.4 million, in comparison to approximately RMB237.0 million as at 31 December 2022. This decrease of approximately 20.5% was primarily attributable to repayment of certain bank loans that has partially been offset by proceeds from new bank loans and funds generated from operations.

As at 30 June 2023, the current assets of the Group amounted to approximately RMB2,195.8 million, and the current liabilities of the Group amounted to approximately RMB1,010.4 million.

As at 30 June 2023, the current ratio (being the current assets divided by current liabilities as at the end of each period) of the Group was 2.17 times as compared with 1.6 times as at 31 December 2022, which ratio was relatively stable as at 31 December 2022 and 30 June 2023.

As at 30 June 2023, the gearing ratio (being the total debt divided by total equity as at the end of each period) of the Group was 6.7% as compared with 7.8% as at 31 December 2022, which ratio was relatively stable as at 31 December 2022 and 30 June 2023.

Indebtedness

During the Reporting Period, the Group obtained bank borrowings of RMB354.0 million and repaid bank borrowings of RMB407.4 million.

As at 30 June 2023, the Group had total bank borrowings of RMB390.2 million which were unsecured (31 December 2022: RMB444.2million of which RMB104.2 million were secured). The Group's effective interest rates on its unsecured bank borrowings ranged from 2.50% to 5.00%.

As at 30 June 2023, the lease liabilities of the Group were RMB31.5 million (31 December 2022: RMB42.5 million).

Financial assets at fair value through profit or loss

As at 30 June 2023, the movements of the Group's financial assets at fair value through profit or loss turned from losses to gains during the Reporting Period, with the gains of RMB27.8 million, which was mainly due to the gains arose from certain listed equity investments invested by the Group and the good performance of certain research and development companies invested by the Group during the Reporting Period. As at 30 June 2023, 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 unlisted debt instruments, representing 10.1%, 62.5% and 27.4% of financial assets at fair value through profit or loss, respectively. As at 30 June 2023, the Group has invested in more than 30 companies, the business nature of which is mainly game development. The Group has always invested in quality research and development companies to supply the Group with competitive game products. Various game research and development companies invested by the Group have furnished a number of games that have continuously contributed to the publishing revenue of the Group as well as the turnover growth of their own. The Group regularly appoints professional independent valuers to evaluate the fair value of unlisted investments, including financial assets falling under Level 2 and Level 3 of the fair value hierarchy. The fair values of the unlisted investments have been estimated by using various applicable valuation techniques, including the discounted cash flow approach, adjusted net assets value method and other option pricing models.

Prepayments

As at 30 June 2023, the prepayments of the Group amounted to approximately RMB1,424.7 million, representing a decrease of 6.9% as compared with 31 December 2022; the prepayments of the Group mainly included prepaid licence fees (non-current) of approximately RMB808.2 million, prepaid minimum guarantee (current) of approximately RMB553.1 million and other prepayments of approximately RMB63.4 million. Such prepayments for licence fees and minimum guarantee, for which the underlying contracts have been made with as many as 100 renowned enterprises worldwide, represented more than 90 operating or developing games and will be amortised monthly after the game development is completed and officially launched.

Off-balance sheet commitments and arrangements

As at 30 June 2023, the Group did not enter into any off-balance sheet transactions (31 December 2022: Nil).

Pledge of assets

As at 30 June 2023, the Group did not have any pledge of assets (31 December 2022: equity interests of certain subsidiaries and a financial asset at fair value through profit or loss of the Group of approximately RMB133.9 million).

Capital expenditures

The Group's historical capital expenditures primarily included royalties paid to game developers and IP owners. The Group funded its capital expenditure requirements during the six months ended 30 June 2023 mainly with its internal resources.

The Group's capital commitments as at 31 December 2022 and 30 June 2023 amounted to RMB300.2 million and RMB256.5 million, respectively. The Group's capital commitments as at 30 June 2023 was primarily for the purchase of IP and game licences.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
REVENUE	6	1,535,444	1,232,764
Cost of sales		<u>(1,019,249)</u>	<u>(731,801)</u>
Gross profit		516,195	500,963
Other income and gains, net		69,573	29,740
Selling and distribution expenses		(120,324)	(114,635)
Administrative expenses		(351,732)	(312,522)
Impairment losses on financial and contract assets, net		(35,114)	(9,168)
Other expenses		(35,674)	(90,678)
Finance costs		(9,859)	(16,340)
Share of profits and losses of:			
A joint venture		—	(54)
Associates		9,507	(6,678)
PROFIT/(LOSS) BEFORE TAX	7	42,572	(19,372)
Income tax credit/(expense)	8	8,423	(6,036)
PROFIT/(LOSS) FOR THE PERIOD		<u>50,995</u>	<u>(25,408)</u>
Attributable to:			
Owners of the parent		56,824	(21,901)
Non-controlling interests		(5,829)	(3,507)
		<u>50,995</u>	<u>(25,408)</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT	10		
Basic and diluted			
– For profit/(loss) for the period		<u>RMB2.06 cents</u>	<u>RMB(0.79) cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	<u>50,995</u>	<u>(25,408)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(26,669)</u>	<u>1,095</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(26,669)</u>	<u>1,095</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>62,137</u>	<u>47,203</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>62,137</u>	<u>47,203</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>35,468</u>	<u>48,298</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>86,463</u>	<u>22,890</u>
Attributable to:		
Owners of the parent	<u>92,292</u>	<u>26,397</u>
Non-controlling interests	<u>(5,829)</u>	<u>(3,507)</u>
	<u>86,463</u>	<u>22,890</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	30 June 2023 <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property and equipment		16,374	17,873
Right-of-use assets		29,529	40,904
Goodwill		1,124,781	1,124,781
Other intangible assets		553,950	538,765
Investment in a joint venture		—	4,684
Investments in associates		158,336	156,629
Financial assets at fair value through profit or loss	11	2,101,993	2,099,456
Deferred tax assets		65,098	58,416
Prepayments	13	818,783	881,220
Total non-current assets		<u>4,868,844</u>	<u>4,922,728</u>
CURRENT ASSETS			
Trade receivables	12	1,157,046	1,070,799
Prepayments, other receivables and other assets	13	838,936	909,899
Due from related parties		11,439	12,368
Pledged deposit		—	1,000
Cash and cash equivalents		188,398	236,960
Total current assets		<u>2,195,819</u>	<u>2,231,026</u>
CURRENT LIABILITIES			
Trade payables	14	260,098	307,670
Other payables and accruals		207,207	282,741
Contingent consideration for business combination		—	168,925
Interest-bearing bank borrowings		390,224	444,169
Tax payable		134,287	133,063
Due to related parties		6,238	7,338
Lease liabilities		12,343	15,435
Total current liabilities		<u>1,010,397</u>	<u>1,359,341</u>
NET CURRENT ASSETS		<u>1,185,422</u>	<u>871,685</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,054,266</u>	<u>5,794,413</u>

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	64,705	75,474
Contingent consideration for business combination	172,000	—
Lease liabilities	19,146	27,056
Total non-current liabilities	255,851	102,530
Net assets	5,798,415	5,691,883
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,915	1,925
Reserves	5,785,259	5,672,888
Non-controlling interests	5,787,174	5,674,813
	11,241	17,070
Total equity	5,798,415	5,691,883

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

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, Umland 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 and Korea, and investment business in Mainland China.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting*. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2022.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period's financial statements.

HKFRS 17	<i>Insurance Contracts and Related Amendments</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

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

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing the interim condensed consolidated financial statements, significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Group's consolidated financial statements for the year ended 31 December 2022.

5. OPERATING SEGMENT INFORMATION

For the six months ended 30 June 2023

Segments	Game publishing RMB'000 (Unaudited)	Game development RMB'000 (Unaudited)	Licensing of intellectual property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (Note 6)				
Sales to external customers	1,217,004	258,634	59,806	1,535,444
Intersegment sales	—	18,529	—	18,529
	<u>1,217,004</u>	<u>277,163</u>	<u>59,806</u>	<u>1,553,973</u>
Reconciliation:				
Elimination of intersegment sales				<u>(18,529)</u>
Total revenue from contracts with customers				<u><u>1,535,444</u></u>
Segment results	266,511	193,340	56,344	516,195
Reconciliation:				
Other income and gains, net				69,573
Selling and distribution expenses				(120,324)
Administrative expenses				(351,732)
Impairment losses on financial and contract assets, net				(35,114)
Other expenses				(35,674)
Finance costs				(9,859)
Share of profits and losses of:				
A joint venture				—
Associates				9,507
PROFIT BEFORE TAX				<u><u>42,572</u></u>

For the six months ended 30 June 2022

Segments	Game publishing RMB'000 (Unaudited)	Game development RMB'000 (Unaudited)	Licensing of intellectual property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (Note 6)				
Sales to external customers	1,019,941	182,064	30,759	1,232,764
Intersegment sales	—	131,536	—	131,536
	<u>1,019,941</u>	<u>313,600</u>	<u>30,759</u>	<u>1,364,300</u>
Reconciliation:				
Elimination of intersegment sales				<u>(131,536)</u>
Total revenue from contracts with customers				<u><u>1,232,764</u></u>
Segment results	367,015	110,279	23,669	500,963
Reconciliation:				
Other income and gains, net				29,740
Selling and distribution expenses				(114,635)
Administrative expenses				(312,522)
Impairment losses on financial and contract assets, net				(9,168)
Other expenses				(90,678)
Finance costs				(16,340)
Share of profits and losses of:				
A joint venture				(54)
Associates				<u>(6,678)</u>
LOSS BEFORE TAX				<u><u>(19,372)</u></u>

6. REVENUE

An analysis of revenue is as follows:

During the six months ended 30 June 2023, the obtaining licences for various games originally planned to be published in last year led to an increase in revenue.

Disaggregated revenue information

For the six months ended 30 June 2023

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

For the six months ended 30 June 2022

Segments	Game publishing RMB'000 (Unaudited)	Game development RMB'000 (Unaudited)	Licensing of intellectual property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services:				
Mobile game publishing services	1,019,941	—	—	1,019,941
Game development related services	—	182,064	—	182,064
Licensing of intellectual property	—	—	30,759	30,759
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	<u>1,019,941</u>	<u>182,064</u>	<u>30,759</u>	<u>1,232,764</u>
Revenue from contracts with customers under HKFRS 15 by geographical markets:				
Mainland China	797,867	180,535	26,795	1,005,197
Other countries/regions	222,074	1,529	3,964	227,567
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>1,019,941</u>	<u>182,064</u>	<u>30,759</u>	<u>1,232,764</u>
Revenue from contracts with customers under HKFRS 15 by timing of revenue recognition:				
Services transferred over time	1,019,941	182,064	3,964	1,205,969
Services transferred at a point in time	—	—	26,795	26,795
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>1,019,941</u>	<u>182,064</u>	<u>30,759</u>	<u>1,232,764</u>

7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	For the six months ended	
		30 June	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Commissions charged by channels and third-party game developers	(a)	827,683	590,119
Commissions charged by intellectual properties ("IP") owners		46,372	47,145
Promotion expenses		100,988	91,220
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages and salaries		192,044	175,710
Equity-settled share-based expense		19,344	6,247
Pension scheme contributions (defined contribution scheme)	(b)	25,325	23,820
		<u>236,713</u>	<u>205,777</u>
Depreciation of property and equipment		3,789	2,220
Depreciation of right-of-use assets		6,712	8,605
Amortisation of other intangible assets	(c)	55,074	32,577
Research and development costs		266,859	204,309
Lease payments not included in the measurement of lease liabilities		4,357	3,814
Foreign exchange differences, net		(7,088)	(1,917)
Impairment losses on financial and contract assets, net:			
Impairment of trade receivables, net		52,854	9,168
Reversal of expected credit loss of other receivables		(17,740)	—
Write-off of prepayments, other receivables and other assets	(d)	15,299	34,743
Gain on lease modification		(317)	(267)
Impairment losses on other intangible assets	(e)	3,933	10,151
Impairment losses on investment in a joint venture and an associate		12,484	—
Bank interest income		(970)	(3,531)
(Gain)/loss on disposals of items of property and equipment		(10)	103
Auditor's remuneration		1,400	1,350
Fair value (gains)/losses on financial assets at fair value through profit or loss		(27,769)	43,659
Fair value adjustment of contingent consideration for business combination		3,075	(3,949)

Notes:

- (a) Zhejiang Shiji Huatong Group Limited (“**Shiji Huatong**”), a listed company on the Shenzhen Stock Exchange (SZSE:002602), and a wholly-owned subsidiary of Shiji 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. Therefore, as Shiji Huatong neither has any voting rights in the Company through its holding vehicles nor has significant influence on the Company, the directors of the Company believe that Shiji Huatong is an independent third party with the Group. Shiji Huatong provided channel services to the Group, which amounted to RMB35,282,000 during the six months ended 30 June 2023 (2022: RMB62,620,000), and the balance of trade receivables from Shiji Huatong as at 30 June 2023 was RMB2,040,000 (31 December 2022: RMB9,741,000).
- (b) There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.
- (c) The amortisation of other intangible assets for the period is included in “Cost of sales” in the condensed consolidated statement of profit or loss.
- (d) Write-off of prepayments, other receivables and other assets is included in “Other expenses” in the condensed consolidated statement of profit or loss.
- (e) Impairment losses on other intangible assets is included in “Other expenses” in the condensed consolidated statement of profit or loss.

8. INCOME TAX CREDIT/(EXPENSE)

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to the Corporate Income Tax Law in the People’s Republic of China (“**PRC**”) effective on 1 January 2008, the PRC corporate income tax rate of the Group’s subsidiaries operating in Mainland China during the reporting period was 25% of their taxable profits.

Shenzhen Douyue Network Technology Co., Ltd. (“**Shenzhen Douyue**”) and China Mobile Games and Entertainment Group Limited Shenzhen (“**Shenzhen Zhongshouyou**”) were accredited as high and new technology enterprises (“**HNTE**”) in 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% from 2020 to 2022.

Beijing Wenmai Hudong Technology Company Limited (“**Wenmai Hudong**”) was accredited as a HNTE since 2016 and the certificate is valid for three years since its renewal in December 2022. The applicable tax rate for Wenmai Hudong is 15% for the year ended 31 December 2022 and the year ending 31 December 2023.

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

Horgos Bell Mutual Entertainment Technology Co., Ltd. was established in the Horgos Development Zone of Xinjiang in 2016. According to the applicable regulations promulgated by the State Council and relevant authorities, it was entitled to tax exemption for five years from 2016 which was the first tax year with production and operation income and is entitled to a preferential CIT rate of 12.5% for five years thereafter from 2021 to 2025.

Beijing Zhongsheng Huyu Entertainment Technology Company Limited was accredited as a “software enterprise” in 2020 under relevant PRC laws and regulations. According to relevant policies, it was entitled to tax exemption from 2019 to 2020 and is entitled to a preferential CIT rate of 12.5% from 2021 to 2023.

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 2019 to 2020 and is entitled to a preferential CIT rate of 12.5% from 2021 to 2023.

Horgos Wenmai Hudong Technology Company Limited was established in the Horgos Development Zone of Xinjiang in 2020. According to the applicable regulations promulgated by the State Council and relevant authorities, it was entitled to tax exemption for five years from 2020 which was the first tax year with production and operation income.

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 2022 and 2023.

Hainan Chuangyue Technology Company Limited (“**Hainan Chuangyue**”) and Hainan Zhazhen Internet Technology Company Limited (“**Hainan Zhanshen**”) were established in the Hainan Free Trade Port. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Hainan Chuangyue and Hainan Zhanshen was 15% each for the year ended 31 December 2022 and the year ending 31 December 2023.

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.

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current Tax Expense		
PRC	10,389	15,336
Hong Kong		
Charge for the period	2,666	6,615
Overprovision in prior years	(5,415)	—
Elsewhere	1,388	—
	9,028	21,951
Deferred Tax Credit		
PRC	(17,451)	(15,915)
Total tax (credit)/charge for the period	(8,423)	6,036

9. DIVIDENDS

The board of directors of the Company resolved not to pay any interim dividend to the shareholders in respect of the six months ended 30 June 2023 (2022: nil).

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,752,672,000 (30 June 2022: 2,768,050,000) in issue during the period.

The Group had no dilutive potential ordinary shares in issue during the six months ended 30 June 2023 and 2022.

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation	<u>56,824</u>	<u>(21,901)</u>
	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculation	<u>2,752,672,000</u>	<u>2,768,050,000</u>

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Listed equity investments, at fair value	212,633	179,739
Unlisted equity investments, at fair value	1,312,815	1,373,812
Convertible loans and other unlisted debt instruments, at fair value	<u>576,545</u>	<u>545,905</u>
	<u>2,101,993</u>	<u>2,099,456</u>

In May 2018, the Group acquired 26% of the issued shares of Angel Fund (Asia) Investments Limited (“**Angel Fund**”) from Angel (Partners) Investments Limited with the consideration of 1,270,963 issued shares of Ridgeview Well Investment Limited, the then sole shareholder of the Company. Angel Fund held 9,740,562 shares, representing 20.368% of the total issued shares of Softstar Entertainment Inc, which is a company listed on the Taiwan Stock Exchange (TAIPEI: 6111). The fair value of the investment in Angel Fund was RMB58,955,000 (31 December 2022: RMB45,806,000) as at 30 June 2023.

In June 2023, the Group entered into agreements to acquire an additional 6.8% of the issued shares of Angel Fund and right to economic benefits on 7.93% of the issued shares of Angel Fund (the “Investments”) with the consideration of the Group’s other receivable of approximately RMB33,405,000 (31 December 2022: RMB15,000,000) due from the former owner of the Investments.

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 RMB233,144,000 (31 December 2022: RMB221,720,000) as at 30 June 2023.

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 documentations. The fair value of the investment in Angel Venture was RMB210,000,000 (31 December 2022: RMB201,000,000) as at 30 June 2023.

The Group holds 33.93% (31 December 2022: 26%), 25.65% (31 December 2022: 25.65%) and 39.01% (31 December 2022: 39.01%) limited partnership interests in Angel Fund, CPC Fund, and Angel Venture, respectively. Pursuant to the relevant partnership agreements of these three funds, the Group is entitled to investment return, but has no right or power to participate in the management or control of the funds. Therefore, the Group has neither control nor significant influence on Angel Fund, CPC Fund and Angel Venture and they are treated as financial instruments at fair value through profit or loss.

12. TRADE RECEIVABLES

	30 June 2023	31 December 2022
	RMB’000	RMB’000
	(Unaudited)	(Audited)
Trade receivables	1,370,226	1,232,102
Allowance for impairment	(213,180)	(161,303)
	1,157,046	1,070,799

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

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

	30 June 2023	31 December 2022
	RMB’000	RMB’000
	(Unaudited)	(Audited)
Within 6 months	857,365	737,740
6 months to 1 year	114,227	155,602
1 year to 18 months	95,423	100,177
18 months to 2 years	63,722	60,762
Over 2 years	26,309	16,518
	1,157,046	1,070,799

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current portion		
Prepayments (note)	<u>818,783</u>	<u>881,220</u>
Current portion		
Prepayments (note)	605,959	648,526
Deposits and other receivables	201,353	215,682
Contract costs	<u>31,624</u>	<u>45,691</u>
	<u>838,936</u>	<u>909,899</u>
	<u><u>1,657,719</u></u>	<u><u>1,791,119</u></u>

Note:

Prepayments as at 30 June 2023 mainly included prepaid minimum guarantee of approximately RMB553,092,000 (31 December 2022: RMB567,925,000) and prepaid licence fees of approximately RMB808,218,000 (31 December 2022: RMB868,051,000).

14. 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:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	106,494	169,871
3 to 6 months	75,091	65,710
6 months to 1 year	41,493	26,639
1 year to 2 years	23,255	29,901
Over 2 years	<u>13,765</u>	<u>15,549</u>
Total	<u><u>260,098</u></u>	<u><u>307,670</u></u>

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

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS OR DISPOSAL

During the six months ended 30 June 2023, 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 did not have concrete plans for material investments or capital assets as at 30 June 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023, the Group had not purchased, sold or redeemed any of the Company's listed securities.

DIVIDENDS

The Board did not propose payment of any interim dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

There has been no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") during the six months ended 30 June 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2023, the Company had complied with the applicable code provisions of Part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**") except for a deviation from code provision C.2.1 of the CG Code. Pursuant to code provision C.2.1 of the CG Code, the roles of the chairman and the chief executive officer of a listed company should be segregated and should not be performed by the same individual. However, the Group does not have a separate chairman and chief executive officer and Mr. Xiao Jian currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board currently comprises three executive Directors (namely Mr. Xiao Jian, Mr. Sin Hendrick *M.H.*, and Mr. Fan Yingjie), one non-executive Director and three independent non-executive Directors, and therefore considers that it has a fairly strong independence element in its composition. The Board also considers that the balance of power and authority under the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider separating the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Company as a whole.

DIRECTORS' DEALING IN SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”) as its own code of conduct regarding dealings in the securities of the Company by the Directors, senior management members, and employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company’s securities.

All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standards set out in the Model Code throughout the period from 1 January 2023 to 30 June 2023.

AUDIT COMMITTEE

The Audit Committee has reviewed the Company’s unaudited consolidated financial statements and this interim results announcement for the Reporting Period, including the accounting principles and practices adopted by the Group, and discussed with management regarding auditing, risk management and internal control, and financial reporting matters.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cmge.com>). The interim report will be despatched to the Shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 25 August 2023

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