

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)

### UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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 “Group”) is pleased to announce the unaudited consolidated annual results of the Group for the year ended 31 December 2021.

For the reasons explained in the paragraph headed “Review of Unaudited Annual Results by the Audit Committee” in this announcement, the audit process for the annual results of the Group for the year ended 31 December 2021 has not been completed as at the date of this announcement.

#### 2021 FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Year-on-year change
	2021	2020	
	RMB’000	RMB’000	%
	(Unaudited)	(Audited)	
<b>Revenue</b>	<b>3,956,570</b>	3,820,326	3.6
<b>Gross profit</b>	<b>1,473,490</b>	1,223,264	20.5
Profit for the year	<b>593,943</b>	690,200	-13.9
<b>Adjusted net profit</b> <sup>(1)</sup>	<b>630,028</b>	806,950	-21.9
Basic earnings per Share (RMB)	<b>22.85 cents</b>	29.92 cents	
Diluted earnings per Share (RMB)	<b>22.84 cents</b>	29.92 cents	
<b>Adjusted basic earnings per Share (RMB)</b> <sup>(1)</sup>	<b>23.54 cents</b>	34.43 cents	
<b>Adjusted diluted earnings per Share (RMB)</b> <sup>(1)</sup>	<b>23.52 cents</b>	34.43 cents	

Note:

1. “Adjusted net profit” is not defined under the Hong Kong Financial Reporting Standards (“HKFRS”). It is defined by the Group as net profit attributable to owners of the parent excluding equity-settled share-based expense. The adjusted net profit more closely reflects the Group’s operating results, after excluding the above-mentioned non-operating item. “Adjusted basic earnings per Share” and “Adjusted diluted earnings per Share” are the Group’s adjusted net profit divided by the weighted average number of Shares and potentially dilutive weighted average number of Shares, respectively, in issue during the year.

## CHAIRMAN'S STATEMENT

### Dear Shareholders,

According to the “2021 China Gaming Industry Report” (《2021年中國遊戲產業報告》) published by the Game Publishing Committee of China Audio-Video and Digital Publishing Association (中國音數協遊戲工委) and China Gaming Industry Research Institute (中國遊戲產業研究院), the number of gamers in China reached 666.0 million in 2021. The actual revenue of the Chinese gaming market amounted to RMB296.51 billion, representing a year-on-year increase of 6.4%. With further expansion of games to overseas markets, the actual revenue of self-developed games in overseas markets was US\$18.01 billion, representing a year-on-year increase of 16.6%. Both growth rates decreased from the corresponding period of the previous year.

Leveraging its advantages and accumulation in the field of game publishing and research and development, the Group has strengthened its capability for IP cooperation and proprietary IP creation, and continued to focus on long-term development strategy in game publishing business. Regarding the game research and development business, the Group conducted in-depth research and investment, promoted the continuous improvement of its own research and development capabilities, insisted on in-depth cooperation with and invest in high-quality mobile game developers, and relentlessly deepened its IP game ecosystem. The Group has formed a core competitive IP game ecosystem of “IP resources – self-development and joint development - global distribution - IP operation (IP資源—自主研發與聯合研發—全球發行—IP運營)”, and has continuously achieved excellent results. The total number of newly registered users in 2021 reached 116.9 million, representing a year-on-year increase of 15.0%; average MAUs reached 19.1 million, representing a year-on-year increase of 3.1%; and average MPUs reached 1.4 million, representing a year-on-year increase 1.8%. The Group continues to adhere to its overseas gaming development direction. In 2021, revenue generated from overseas business was RMB458.5 million, representing a year-on-year increase of 7,260.0%. The proportion of revenue generated from overseas business in the Group's revenue increased from 0.2% in 2020 to 11.6% in 2021. As of 31 December 2021, the Group's total number of games in operation reached 83, the annual revenue generated from operation in 2021 was RMB3,956.6 million, representing a year-on-year increase of 3.6%, and the gross profit margin increased from 32.0% in 2020 to 37.2% in 2021.

The Group increased investment in its research and development capability in 2021. The number of research and development personnel of several research and development teams such as the newly established Mantianxing Studio (滿天星工作室) and DaYu Studio (大禹工作室) reached 624, representing a year-on-year increase of 30.0%; research and development investment increased from RMB208.6 million in 2020 to RMB310.7 million in 2021, representing a year-on-year increase of 48.9%. The postponement of obtaining Banhao as scheduled for various games planned to be published in 2021, such as *Sword and Fairy: Wen Qing* (新仙劍奇俠傳

之揮劍問情), *Cultivation Fantasy* (我的御劍日記) and *Rakshasa Street: Chosen One* (鎮魂街:天生為王) led to the delay in the launch of those games. Due to this adverse impact and the Group's increased investment in research and development, etc., the adjusted net profit for the year was RMB630.0 million, representing a year-on-year decrease of 21.9%.

In 2021, the Group's publishing business remained stable with many new heavy weight games launched one after another, adding new vitality to the Group's publishing business. In particular, *One Piece: The Voyage* (航海王熱血航線), jointly published by the Group and Beijing Nuverse Information Technology Co., Ltd. (北京朝夕光年信息技術有限公司) ("**Nuverse**") under ByteDance Ltd. (字節跳動有限公司) ("**ByteDance**"), topped the Top Free Games List of Apple's App Store in Mainland China and according to the statistics of the authoritative third-party institution App Annie, ranked third on the Best Selling Games List of Apple's App Store in the first month of its launch. It also won the Best Game Award of the Month under the Editors' Recommendation by Apple's App Store. The game has also received much attention and praise from the industry, winning the vivo Best New Game of the Year Award (vivo年度最佳新遊獎), the Best ACGN Mobile Game Award (最佳二次元移動遊戲) at the Golden Plume Award 2021 (2021年度金翎獎), the Best Mobile Game Production Award (最佳移動遊戲製作獎) at the China Game Developers Award 2021 (2021年度優秀遊戲製作人大賽), the title of Emerging Product of the Year (年度新銳產品) at the Game Appreciation Awards 2021 (2021年度遊戲行業金口獎) and so on. *Soul Land: God of Battle Arise* (斗羅大陸:鬥神再臨) ranked first on the Top Free Games List of Apple's App Store in Mainland China in the first month of its launch, and was recommended by Apple's App Store Today as a special featured recommendation and current best-selling recommendation several times. Meanwhile, the game has received numerous awards, such as the Mobile Hardcore Alliance Most Popular Card Game of the Year (硬核年度最受歡迎卡牌遊戲), Mobile Hardcore Alliance Superstar of the Year (硬核年度超級明星) and vivo Best Card Games of the Year (vivo年度最佳卡牌遊戲). *Dynasty Warriors: Hegemony* (真·三國無雙霸), a game developed by Shenzhen EZfun Interactive Technology Co., Ltd. (深圳易帆互動科技有限公司) ("**EZfun**"), a developer invested in by the Group, and exclusively published by Tencent Games, ranked first on the Top Free Games List of Apple's App Store in Mainland China and according to the statistics of the authoritative third-party institution App Annie, ranked eighth on the Best Selling Games List of Apple's App Store in the first month of its launch. It was recommended by Apple's App Store Today as a special featured recommendation and current best-selling recommendation several times.

In terms of the gaming business outside of Mainland China, the Group adhered to an integrated global publishing model and has launched a number of high-quality games outside of Mainland China, such as Hong Kong, Macau, Taiwan, Southeast Asia region, Korea, Europe and the United States, achieving outstanding results. Successively launched in Hong Kong, Macau and Taiwan region, the Southeast Asia region and Korea in 2021, *Hitman Reborn!* (家庭教師), a mobile game published

by the Group, ranked first on the Top Free Games List of Apple's App Store in the Hong Kong, Macau and Taiwan region, third on the Top Free Games List of both Apple's App Store and Google Play Store in the Southeast Asia region, and first on the Top Free Games List of both Apple's App Store and Google Play Store in Korea, all in the first month of its launch. On the first day of its launch in Hong Kong, Macau and Taiwan in January 2021, *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) ranked first on the Top Free Games List of Apple's App Store in these three markets. According to the statistics of the authoritative third-party institution App Annie, the game topped the Best Selling Games List of both Apple's App Store and Google Play Store in Hong Kong, Macau and Taiwan in the first month of its launch. After that, *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) was successively launched in Singapore, Malaysia and Korea, ranking first in Singapore and Malaysia and top ten in Korea on the Top Free Games List of Apple's App Store in the first month of its launch. With its outstanding performance in Hong Kong and Taiwan, *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) received the Best Battle Game of the Year (年度最佳對戰遊戲) and Best Tablet Game (最佳平板遊戲) awards in Google Play Best of 2021 in Hong Kong and Taiwan, making it the first premium game of the Group winning Google's Best of the Year title. For *Soul Land: God of Battle Arise* (斗羅大陸：鬥神再臨), in the first month of its launch in Hong Kong, Macau, Taiwan and Southeast Asia region (excluding Vietnam) in the second half of 2021, the game ranked first on the Top Free Games List and, third on the Best Selling Games List of Apple's App Store in Thailand, according to the statistics of the authoritative third-party institution App Annie, while topping the Best Selling Games List of Apple's App Store in Laos according to the statistics of the authoritative third-party institution App Annie. In 2021, the Group's revenue generated from overseas business was RMB458.5 million, representing a year-on-year increase of 7,260.0%. The proportion of revenue generated from overseas business in the Group's revenue increased from 0.2% in 2020 to 11.6% in 2021.

In 2021, the Group became the first strategic partner of Huawei's (華為) game business. Both parties will actively carry out in-depth game co-publishing, and conduct comprehensive and in-depth cooperation in areas such as, IP derivatives and brands, HMS (Huawei Mobile Service) ecosystem, game competitiveness, etc., to achieve resources sharing with mutual benefits and establish a stable and sustainable strategic partnership. At the same time, the Group has also become a strategic partner of ByteDance's Volcano Engine (火山引擎) in 2021, marking that the Group and Volcano Engine will carry out further in-depth cooperation and exploration focusing in areas such as big data algorithm, artificial intelligence agent and virtual reality integration to promote the smart development of the Group's business. The Group will continue to improve its data operation capabilities, carry out agile operation based on its own data middle platform, and continuously strengthen the Group's publishing capabilities to achieve efficient growth of its publishing business.

The Group has always been committed to investing in quality developers in the industry and carrying out continuous and in-depth cooperation with them in the joint development and publishing of games. This is an important means for the Group to continuously deepen the construction of a highly competitive IP game ecosystem, and will expand the Group's game reserve and strengthen its support for publishing business. In 2021, the Group completed its investment in Shenzhen Heyao Network Technology Co., Ltd. (深圳市赫耀網絡科技有限公司) (“**Shenzhen Heyao**”), Beijing Xinrui Mutual Entertainment Technology Co., Ltd. (北京新芮互娛科技有限公司) (“**Xinrui Mutual Entertainment**”), Guangzhou Maiji Information Technology Co., Ltd. (廣州麥吉信息科技有限公司) (“**Maiji IT**”) and Fuzhou Tornado Network Technology Co., Ltd. (福州龍捲風網絡科技有限公司) (“**Tornado Network**”) and formulated detailed cooperation plans with these game developers. Pursuant to the cooperation plans, the Group will exclusively publish a MMORPG mobile game with an oriental fantasy world background *Code: Mountainous and Seas* (代號：山海) developed by Shenzhen Heyao; and will exclusively publish a RPG mobile card game adapted from a popular novel IP, *Cultivation Chat Group* (修真聊天群) licensed by China Literature Limited (閱文集團) and developed by Xinrui Mutual Entertainment. The Group also cooperated with Maiji IT to jointly create an action card game based on the platinum work of China Literature Limited and the leading IP of Tencent Video and Animation *Swallowed Star* (吞噬星空). Besides, the Group collaborated with Shanghai Bantu Network Technology Co., Ltd. (上海班圖網絡科技有限公司), which it invested in during the second half of 2020, to jointly develop a strategic mobile board game.

The Group also achieved impressive results for its self-development business, investments in research and development increased from RMB208.6 million in 2020 to RMB310.7 million in 2021, representing a year-on-year increase of 48.9%. Revenue generated from self-development business amounted to RMB905.0 million, representing an increase of 23.9% year-on-year. The self-developed mobile games and web games of 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, continued to maintain stable gross billings, with an average monthly gross billing of over RMB73.3 million. In the first half of 2021, Softstar Technology (Beijing) Company Limited (軟星科技(北京)有限公司) (“**Beijing Softstar**”), a wholly-owned subsidiary of the Group, launched the self-developed mobile game *Chinese Paladin: Sword and Fairy JY* (仙劍奇俠傳：九野) which ranked sixth on the Top Free Games List of Apple's App Store in the first month of its launch. In the second half of 2021, Beijing Softstar launched the self-developed game *Legend of Sword and Fairy 7* (仙劍奇俠傳七) which topped the best selling lists of WeGame, Steam China and Steam Overseas at its launch, achieving a sales volume of over 400,000 with its 2021 PC version. The cloud version of the game also reached a sales volume of over 200,000. In 2021, the global sales volume of the self-developed PC game *Monopoly 10* (大富翁10) by Beijing Softstar exceeded 1,000,000. The self-developed card and board games of the Group maintained a stable growth and posted an average monthly gross billing of RMB36.4 million, winning the Huawei App Market Emerging Popularity Award 2021 (2021年華為應用市場人氣飆升獎).

In 2021, the Group further enriched its investment in self-developed game business, and continued to develop in-depth in five major game categories, namely value-oriented, platform-oriented, gameplay-oriented, eSports-oriented and card-and-board-oriented games. A number of studios and subsidiaries for research and development were established to create the Group's self-developed barrier with full effort.

In terms of platform-oriented games, *Legend of Sword and Fairy: World* (仙劍奇俠傳:世界), a self-developed game of the Group's Mantianxing Studio (滿天星工作室), is China's first metaverse game featuring open world elements such as cross-PC, console, virtual reality device and mobile phone and the Chinese culture. It is also the first in China to offer in-depth virtual reality experience and allow players to play virtual characters with virtual reality equipment. The game has been developed for nearly two years and the first round of testing will be conducted in the second half of 2022. Thanks to the rich experience and knowledge of the research and development team in virtual reality technology and open world RPG technology, the game will provide players a highly differentiated immersive experience. In the World of *Legend of Sword and Fairy* (仙劍大世界), players can engage in their development and evolvment 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.

In terms of value-oriented games, the Group focuses on three major game segments, namely card games, massive multiplayer online games and integrated strategy games. Wenmai Hudong, a wholly-owned subsidiary of the Group, is maintaining an elite team to carry out the research and development of high-quality games of the Legend of Mir type, and is fully committed to the research and development of a number of integrated strategy games with global themes such as *Code: Red Cliff* (代號: 赤壁), *Call for Pioneers* (召喚先鋒), *Code:M* (代號: M) and *Code: Soldiers* (代號: 奇兵). The above games will be launched successively from the first half of 2022. In 2021, the Group established DaYu Studio (大禹工作室), which focuses on light-value games featuring card idling or role-playing as the core gameplays and casual games as the entry portals. The first mobile game self-developed by the studio, *Code: DF* (代號: DF), will be launched in the first half of 2022.

In terms of gameplay-oriented games, Beijing Softstar, a wholly-owned subsidiary of the Group, continued to create two premium IP games in the field of PC games, namely the strong board games (*Monopoly* (大富翁) series) and the business simulation games (*Sword and Fairy Inn* (仙劍客棧) series), and continued to maintain the dominant position of *Monopoly* (大富翁) in the strong board game gameplay. Following the sales volume of *Monopoly 10* (大富翁10) exceeding one million in 2021, *Monopoly 11* (大富翁11), which was delicately developed by Beijing Softstar in 2021, will also be launched in the second half of 2022.

In terms of eSports-oriented games, the Group invested in Shanghai Zhoujing Network Technology Co., Ltd. (上海洲競網絡科技有限公司) (“**Shanghai Zhoujing**”) in early 2022, becoming a controlling shareholder holding 51% of its equity interests. Shanghai Zhoujing’s project under development *Code: Basketball 3v3* (代號：籃球3v3) is jointly produced by Mr. Zhao Yongshuo (趙勇碩), the father of *Street Basketball* (街頭籃球). The core team consists of the Chinese and Korean original team members of the *Street Basketball* (街頭籃球) project, which is experienced in the research and development of competitive sports games such as *Street Basketball* (街頭籃球) and *Free Basketball* (自由籃球), and is committed to turn *Code: Basketball 3v3* (代號：籃球3v3) into a cross-PC, console and mobile-end eSports quality game. The Group will also organise influential eSports events around the game.

In terms of card-and-board-oriented games, the Group’s Beijixing Studio (北極星工作室) continued to iterate and upgrade the published online card and board game *Joy of Mahjong* (歡樂真人麻將). The game also cooperated with Douyin (抖音), Kuaishou (快手) and WeChat Video Accounts (微信視頻號) for the live broadcasts of card and board games, continuously contributing stable revenue to the Group.

In terms of IP operation, the Group strengthened the operation of self-owned IP, and achieved a considerable growth in IP licensing revenue in 2021. On 5 August 2021, the Group acquired 49% equity interests in Beijing Softstar, a subsidiary of Softstar Entertainment Inc. (大宇資訊股份有限公司), and the full ownership of the *Legend of Sword and Fairy* (仙劍奇俠傳) IP in Mainland China for HK\$641.8 million. The Group became the sole owner of the *Legend of Sword and Fairy* (仙劍奇俠傳) IP for its registration, licensing and right-to-use in Mainland China. This acquisition has strengthened the Group’s competitiveness in the IP game ecosystem, supporting and securing the stable advancement of the Group’s IP game strategy in the long term. The Group established a strong presence for the cooperation of the *Legend of Sword and Fairy* (仙劍) IP throughout the industry chain, covering games, films and television, comics and animation, content literature, music, derivatives and live entertainment, and collaborated with top partners in related fields to jointly build the *Legend of Sword and Fairy* (仙劍) IP universe. For games, in addition to the existing *Legend of Sword and Fairy 7* (仙劍奇俠傳七), the innovative *Legend of Sword and Fairy 1 VR* (仙劍奇俠傳一VR), the interactive story mobile card game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), which received the Mobile Hardcore Alliance Most Anticipated Game of the Year (硬核年度最受期待遊戲) and OPPO Most Anticipated Award (OPPO最受期待獎), and the large-scale MMORPG mobile game in cooperation with Alibaba’s Lingxi Games (靈犀互娛) *Legend of Sword and Fairy • Yuanqi* (仙劍 • 緣起) are planned to be launched. For films and television dramas, *Legend of Sword and Fairy 1* (仙劍奇俠傳一) in cooperation with Penguin Pictures (企鵝影視) has officially commenced shooting on 19 November 2021, and *Legend of Sword and Fairy 2* (仙劍奇俠傳二) will commence shooting in the first half of 2022. The Group will also launch *Legend of Sword and Fairy 6* (仙劍奇俠傳六) with Shandong Film and Television Production Co., Ltd. (山東影視製作股份有限公司) which produced hit television dramas such as *Nirvana in Fire* (琅琊榜) and *The Disguiser* (偽裝者). *Legend of Sword and Fairy 4* (仙劍奇俠傳四) produced with iQiyi (愛奇藝) and other parties officially started shooting in February

2022, The short drama of *Sword and Fairy Inn* (仙劍客棧), which was launched in cooperation with Boxing Culture (鉞星文化), has been launched. The short drama of *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), which was launched in cooperation with Kuaishou (快手), has also been released with more than a hundred million views. In addition, a number of *Legend of Sword and Fairy* (仙劍) internet movies in cooperation with Wanda Pictures (萬達影視) are also under preparation. In terms of animation, it will cooperate with Penguin Pictures (企鵝影視) to shoot 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). For content, novels of *Legend of Sword and Fairy 1* (仙劍奇俠傳一) (new edition), *Legend of Sword and Fairy 2* (仙劍奇俠傳二) and *Legend of Sword and Fairy 4* (仙劍奇俠傳四) were newly published, as well as works like *Xian Xia Zhuan* (仙霞傳), *Yao Tai Xue* (瑤台雪) and *Qiong Hua Hou Zhuan* (瓊華後傳). The Group will host Legend of Sword and Fairy 26<sup>th</sup> Anniversary Art Exhibition (仙劍二十六週年藝術典藏), Legend of Sword and Fairy Concert (仙劍奇俠傳視聽音樂會) and “Chinese Style for Today” Legend of Sword and Fairy Offline Live Performance (「現在·國風」仙劍線下LIVE演出), participate in Kugou’s 2021 Chinese-style Music Jump (2021 CMJ 酷狗國潮音樂節) which will bring a rich audio-visual experience to the players. For figures and toys, the Group will collaborate with Good Smile Arts (良笑塑美), Pop Mart (泡泡瑪特) and the Kaitian 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) and other well-known partners to jointly launch Chinese-style products, including Nendoroid Anu (黏土人阿奴), Nendoroid Long Kui (red and blue) (黏土人紅藍龍葵), statues of Xiao Ya Ji Lin Yueru (小雅集林月如), blind boxes of Super Kamii (超級卡米), and blind boxes of female character weapons from *Legend of Sword and Fairy* (仙劍). In addition, the Group launched digital collectibles for *Legend of Sword and Fairy* (仙劍) for the first time in 2021, issuing 40,000 NFT badges of its characters through the NFT e-commerce platform TheOne.art (唯一藝術), which were sold out in one second. The Group’s *Legend of Sword and Fairy* (仙劍) Real Scene Entertainment Project, Hangzhou Tangqi Xianjian Town (杭州塘棲仙劍小鎮), has been officially established and is expected to officially open for business in the summer vacation of 2022. Focusing on the future, the Group will create more high-quality content, reach young consumers who are interested in Chinese-style elements by various means, continuously enhancing the reputation of *Legend of Sword and Fairy* (仙劍奇俠傳) among young people and further enrich the users’ interactive experience. In 2021, the Group’s revenue generated from IP licensing business amounted to RMB231.9 million, representing an increase of 106.9% year-on-year.

The Group has always fulfilled corporate 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 set up the ninth “CMGE Dream Libraries (中手游築夢圖書館)” and steadily pushed forward the project by donating two libraries every year. Beginning on 20 July 2021, some areas in Henan Province encountered wide-ranging and extremely heavy rainstorms,



with severe flooding in various cities. The Group initiated emergency assistance actions for Henan and donated a first installment of RMB1.0 million to the Henan Charity General Federation (河南省慈善總會) for recovering people's livelihood in the disaster areas, gathering necessary flood prevention and daily supplies, and supporting post-disaster recovery. On 10 March 2022, in order to support the fight against the pandemic in Hong Kong, the Group allocated RMB1.0 million equivalent for the first batch of funds to purchase anti-pandemic supplies locally, and contacted the social anti-pandemic organizations in Hong Kong for orderly distribution. The first batch of anti-pandemic funds will be mainly used for the vulnerable groups such as the elderly and children in Hong Kong who are lacking anti-pandemic supplies.

In terms of protection for minors, the Group proactively participated in the formulation of four standards, namely Entity Standards for Online Game Jargon (《網絡遊戲術語》團體標準), Regulations on Age Limit Notification in Games (《遊戲適齡提示規範》), Regulations on Content Internal Approval for the Gaming Industry (《遊戲企業內容自審流程規範》) and Regulations on Parent Monitoring Platforms (《家長監護平台規範》), contributing to the promotion and implementation of the standardisation of the industry. As the Group strictly follows the relevant national policies, 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 from 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 exceed RMB50 in a single recharge 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 exceed RMB100 in a single recharge in the games under the Group, and the cumulative monthly recharge amount shall not exceed RMB400. In 2021, minor players under the age of 18 accounted for approximately 0.025% of the Group's revenue from games in China.

While closely following the relevant national guiding policies, the Group spares no effort to promote the Chinese culture with innovative games, focuses on preserving the traditional cultural heritage, and explores the outstanding cultural value of IPs. Projecting the value of positivity externally, the Group will maximise the prominence of *Legend of Sword and Fairy* (仙劍奇俠傳) by positioning it as a Chinese game brand with powerful global influence, making the Chinese story more compelling and impactful. The Group was also awarded as an "Outstanding Social Responsibility Performance Enterprise (社會責任表現相對突出的企業)" at the 2021 Game Responsibility Forum (2021遊戲責任論壇) hosted by People's Daily Online (人民網), and won the "Most Socially Responsible Listed Company (最具社會責任上市公司)" award at the Overseas Investment Summit and Golden Kirin Award Ceremony for Top Listed Companies in Hong Kong and the United States of America (海外投資高峰論壇暨金麒麟最佳港美股上市公司評選頒獎典禮) organised by Sina Finance.

## OUTLOOK FOR 2022

In January 2022, the Office of the Central Cyberspace Affairs Commission (中央網信辦), the National Development and Reform Commission (國家發改委), the Ministry of Industry and Information Technology (工信部) and the State Administration for Market Regulation (市場監管總局) held a symposium on promoting the healthy and sustainable development of internet enterprises, which recognised the important role of internet enterprises in improving the efficiency of resource allocation, promoting technological innovation and industrial transformation, optimising social public services, and facilitating the domestic and international cycles. In 2022, the Group will continue to seize the opportunities of digital economic development and enhance its technological innovation capabilities, constantly striving to strengthen its highly competitive IP-based game ecosystem.

**With a large portfolio of top IPs and games, the Group will continue to leverage the core competitiveness of quality IPs and create more quality games, while the publishing business in Mainland China will maintain its stable growth.** Launched in January 2022, the mobile game *A New Record of a Mortal's Journey to Immortality* (新凡人修仙傳) received Mobile Hardcore Alliance's Star Recommendation of January. After nearly two years of development, *Ultraman: The Gathering* (奧特曼:集結), adapted from the IP of the original Ultraman series produced and licensed by Tsuburaya Productions Co., Ltd. (日本圓谷株式會社) in Japan, obtained its Banhao and was reserved by over 1 million users within one month of open reservation. The game will be officially launched in the first half of 2022. *All Star Fight* (全明星激鬥) will also be officially launched in the first half of 2022, which is a game of the Group jointly produced with Nuverse under ByteDance. Having entered the final testing stage, *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), produced by the original research and development team of *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心), will be launched in 2022. By the end of 2022, the Group will also launch the first mobile MMORPG game developed based on the *Soul Land* (斗羅大陸) IP, *Soul Land: Assemble* (斗羅大陸:集結). In addition, the Group plans to launch a number of new games including *Cultivation Fantasy* (我的御劍日記), *Swallowed Star* (吞噬星空), *Rakshasa Street: Chosen One* (鎮魂街:天生為王) and *Daily Life of Chat Group* (聊天群的日常生活) in 2022.

**With the continuous rapid growth of the overseas publishing business, more games will be launched in overseas markets in an accelerated manner during the year.** *Dynasty Warriors: Hegemony* (真·三國無雙霸) was launched in Hong Kong, Macau, Taiwan and Singapore in January 2022. In the first month of its launch, the game ranked first on the Top Free Games List of Apple's App Store and Google Play Store in Hong Kong, Macau, Taiwan and Singapore, first on the Best Selling Games List of Apple's App Store in Hong Kong and Macau, and second on the Best Selling Games List of Apple's App Store in Taiwan, according to the statistics of the authoritative third-party institution App Annie. Based on Sensor Tower's ranking of overseas revenue growth among Chinese mobile games in January 2022, *Dynasty Warriors: Hegemony* (真·三國無雙霸) came fourth. The game will also be launched in Southeast Asia region, Korea, Japan and other regions successively in 2022. *The*

*New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) was launched in Thailand and Vietnam in January 2022, ranking first on the Top Trending Games List of Google Play Store in Thailand in the first month of its launch. In addition, the Group will successively launch a number of new games in the overseas markets in 2022, including the Vietnamese, European and American versions of *Soul Land: God of Battle Arise* (斗羅大陸：鬥神再臨), *Ultraman: The Gathering* (奧特曼：集結), *All Star Fight* (全明星激鬥), *New Romance of the Three Kingdoms: The Legend of Cao Cao* (新三國志曹操傳), *Rakshasa Street: Chosen One* (鎮魂街：天生為王), *Cultivation Fantasy* (我的御劍日記), *Swallowed Star* (吞噬星空), *Ultimate Judge: Bao Qingtian* (神判包青天) and so on.

**The self-developed business will continue to invest in five major categories to create high-quality games with global competitiveness. At the same time, it will also enter the harvest period of products of certain research and development subsidiaries and studios in 2022.** In terms of value-oriented games, the Group's wholly-owned subsidiary, Wenmai Hudong has developed a number of integrated SLG gameplay games with global themes, for which global launch will commence successively from the first half of 2022. Amongst these games, *Code: Red Cliff* (代號：赤壁) will be launched simultaneously in the Mainland and overseas markets; while *Call for Pioneers* (召喚先鋒) and *Code: M* (代號：M) will first be launched overseas in 2022. The Group's DaYu Studio's first self-developed mobile game, *Code: DF* (代號：DF), will soon be launched simultaneously in the Mainland and overseas markets in the first half of 2022. In terms of platform-oriented games, *Legend of Sword and Fairy: World* (仙劍奇俠傳：世界) developed by the Group's Mantianxing Studio (滿天星工作室) will officially conduct the first round of testing in the second half of 2022. In terms of gameplay-oriented games, *Monopoly 11* (大富翁11) developed by the Group's wholly-owned subsidiary Beijing Softstar will be launched in the second half of 2022. In terms of eSports-oriented games, Shanghai Zhoujing, a subsidiary of the Group, is committed to building a cross-PC, console and mobile-end game titled *Code: Basketball 3v3* (代號：籃球3v3) which will be officially tested in the second half of 2022. In terms of card-and-board-oriented games, the Group's Beijixing Studio (北極星工作室) will continue to launch updated gameplays of Joy of Mahjong (歡樂真人麻將) to create a record high user traffic and gross billings.

The Group will continue to seek suitable developers for investment or further acquisition to expand the Group's game reserve and strengthen support for its publishing business.

**The Group will make *Legend of Sword and Fairy* (仙劍奇俠傳) the top Xianxia IP.** After fully acquiring the rights of the *Legend of Sword and Fairy* (仙劍奇俠傳) IP in Mainland China, the Group will be constantly committed to enhancing its value and boosting its vitality and influence, determined and confident to make the *Legend of Sword and Fairy* (仙劍奇俠傳) the top Xianxia IP. The Group will continue to build universe of the *Legend of Sword and Fairy* (仙劍奇俠傳) IP across the entire industry chain, including the fields of games, films and television, comics and animation, literature, music, short dramas and short videos, and further enhance the international influence of the *Legend of Sword and Fairy* (仙劍奇俠傳) IP. In the second half of 2022, the Group will launch the metaverse community of *Legend of Sword and Fairy* (仙劍奇俠傳) which comprises personal space, content co-creation, content monetisation and social networking. It will also connect with the game *Legend of Sword and Fairy: World* (仙劍奇俠傳:世界) to provide “Xianmi (秬米)”, a creative, communication and social networking platform. In terms of IP derivatives, the Group will launch the first virtual digital human Long Kui (龍葵) and its short video accounts such as Kuaishou (快手) and Douyin (抖音), and roll out more collectible digital products of Legend of Sword and Fairy (仙劍), and many attractive derivative peripheral products. At the same time, Hangzhou Tangqi Xianjian Town (杭州塘棲仙劍小鎮), the *Legend of Sword and Fairy* (仙劍) Real Scene Entertainment Project, will be officially open for business during summer vacation in 2022.

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), being a company that is full of passion and creativity. The Group will promote China’s wonderful traditional culture and socialist values, becoming a responsible practitioner and a promoter of cultural values. Thanks to Shareholders and investors for your consistent support.

By order of the Board

**XIAO Jian**

*Chairman*

Hong Kong, 31 March 2022

## MANAGEMENT DISCUSSION AND ANALYSIS

As of 31 December 2021, the Group had a vast IP reserve of a total of 123 IPs, comprising 55 licensed IPs and 68 proprietary IPs. Statistics from Analysys (易觀智庫) shows that, as of 31 December 2021, apart from Tencent Games, the Group was the game publisher that had the largest amount of IP reserve in the PRC and launched the largest amount of mobile IP-based games among game companies in the PRC in the past two years. The Group is a leading global IP game ecology company. Relying on its strengths and experience in game publishing and R&D, the Group has strengthened its IP cooperation and its own IP creation capabilities, continued to focus on long-term development strategies in game publishing business, conducted in-depth research and investment in game R&D business, pushed forward the continuous improvement of its own R&D capabilities, committed in in-depth cooperation with high-quality mobile game developers, dedicated to investment in high-quality mobile game developers, and continued to deepen the IP game ecosystem.

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

	For the year ended 31 December			
	2021		2020	
	Revenue RMB'000	Gross billings RMB'000	Revenue RMB'000	Gross billings RMB'000
IP-based games				
(i) licensed and proprietary IPs held by the Group	2,266,149	3,036,534	2,215,988	2,501,967
(ii) IPs held by game developers	699,359	870,313	423,520	555,892
Non-IP based games	991,062	1,078,604	1,180,818	1,420,155
<b>Total</b>	<b>3,956,570</b>	<b>4,985,451</b>	<b>3,820,326</b>	<b>4,478,014</b>

The Group is committed to creating a highly competitive IP-based game ecosystem. Apart from proprietary IPs, the Group also actively obtained a large number of selected licensed IPs from third parties. Newly licensed IPs obtained in 2021 included *DreamWorks All-Stars* (夢工廠全明星), *Pardon, my King* (大王饒命), *My Heroic Husband* (贅婿) and *Country Love Story* (鄉村愛情故事). For the year ended 31 December 2021, revenue generated from the Group's IP games reached RMB2,965.5 million, an increase of 12.4% year-on-year.

***A continuous growth in the number of registered users in 2021.***

The following table sets forth the key performance indicators, namely, (i) average MAUs; (ii) average MPUs; (iii) average revenue per month per paying user (“ARPPU”); and (iv) total new registered users of the Group for the years indicated:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
Average MAUs ( <i>thousands</i> )	<b>19,063</b>	18,483
Average MPUs ( <i>thousands</i> )	<b>1,439</b>	1,414
ARPPU ( <i>RMB</i> )	<b>229.2</b>	228.8
Total new registered users ( <i>thousands</i> )	<b>116,880</b>	101,624

With the Group’s distinguished game operation ability, research and development ability and the Group’s continued adherence to the implementation of the overseas gaming strategy, the Group is able to continuously launch new games that are popular among players in the market, the Group had approximately 116.9 million newly registered users in 2021, representing a year-on-year increase of approximately 15.0% as compared to 101.6 million newly registered users in 2020.

As of 31 December 2021, the accumulated registered users of the Group reached 526.9 million.

***Thanks to the in-depth layout of multi-category games in the publishing business, excellent game operation capability, as well as smooth cooperation with top traffic platforms and continuous adherence to the overseas gaming strategy, the Group achieved outstanding performance in the publishing business in both domestic and overseas markets in 2021.*** In 2021, the Group newly launched 20 games. As at 31 December 2021, 83 games were available for download on application stores and publishing platforms. A number of newly launched games of the Group based on premium IP adaptations have been recognized and well-received by the market, driving steady revenue growth. After its launch, *Soul Land: God of Battle Arise* (斗羅大陸：鬥神再臨) ranked the first on the chart of Top Free Game of Apple’s App Store in Mainland China; ranked the first on the chart of Top Free Game and the third on the chart of Best Selling Games of Apple’s App Store in Thailand in the first month of its launch in Hong Kong, Macau, Taiwan and Southeast Asia region (excluding Vietnam), according to the statistics of the authoritative third-party institution App Annie, while topping the chart of Best Selling Games of Apple’s App Store in Laos according to the statistics of the authoritative third-party institution App Annie. On the first day of its launch in Hong Kong, Macau and Taiwan in January 2021, *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) ranked the first on the chart of Top Free Game of Apple’s App Store in these three markets. According to the statistics of the authoritative third-party institution App Annie, the game topped the chart of Best Selling Games of both

Apple's App Store and Google Play Store in Hong Kong, Macau and Taiwan in the first month of its launch, and received the Best Battle Game of the Year (年度最佳對戰遊戲) and Best Tablet Game (最佳平板遊戲) awards in Google Play Best of 2021 in Hong Kong and Taiwan. After that, *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) was successively launched in Singapore, Malaysia and Korea, ranking first in Singapore and Malaysia and top ten in Korea on the chart of Top Free Games of Apple's App Store in the first month of its launch. *Hitman Reborn!* (家庭教師) was launched in Hong Kong, Macau and Taiwan, Southeast Asia region and Korea in succession. It ranked the first on the chart of Top Free Games of Apple's App Store in the Hong Kong, Macau and Taiwan region, ranked the third on the chart of Top Free Games of both Apple's App Store and Google Play Store in the Southeast Asia region, and ranked the first on the chart of Top Free Games of both Apple's App Store and Google Play Store in Korea, all in the first month of its launch. *One Piece: The Voyage* (航海王熱血航線), jointly produced by the Group and Nuverse under ByteDance, topped the chart of Top Free Games of Apple's App Store in Mainland China and ranked the third on the chart of Best Selling Games of Apple's App Store in the first month of its launch. It also won the Best Game Award of the Month under the Editors' Recommendation by Apple's App Store. *Dynasty Warriors: Hegemony* (真·三國無雙霸), a mobile game researched and developed by EZfun (a research and development company invested by the Group) and exclusively distributed by Tencent Games topped the chart of Top Free Games of Apple's App Store in Mainland China and ranked the eighth on the chart of Best Selling Games of Apple's App Store in the first month of its launch, according to the statistics of the authoritative third-party institution App Annie. It was recommended by Apple's App Store Today as a special featured recommendation and current best-selling recommendation several times. A number of the Group's games released in previous years continued to maintain strong momentum. *One Piece – the Road of the Strong* (航海王強者之路), *Dragon Ball – Awakening* (龍珠覺醒), the WeChat mini-game *The National Gunlord – The Frontier* (全民槍神:邊境王者) and the H5 game *The Story of the Flying Mortal H5* (凡人飛仙傳H5) continued to contribute stable revenue to the Group. As at 31 December 2021, 19 of the Group's online games in operation had a lifespan of over three years. Benefiting from the above factors, revenue from the Group's overseas game publishing business amounted to RMB458.5 million for the year ended 31 December 2021, representing a year-on-year increase of 7,260.0%, revenue generated from overseas business accounted for 11.6% of the Group's revenue.

***Underpinned by its persistent investment and technology advancements in its in-house development business, the Group's revenue from its in-house development business achieved robust growth in 2021.*** The *The World of Legend – Thunder Empire* (傳奇世界之雷霆霸業) and *Legend of Dragon City* (龍城傳奇), the self-developed games of the Group's wholly-owned subsidiary, Wenmai

Hudong, maintained stable gross billing performance with average monthly gross billing of over RMB73.3 million for mobile games and web games. In the first half of 2021, Beijing Softstar, a wholly-owned subsidiary of the Group, launched the self-developed mobile game *Chinese Paladin: Sword and Fairy JY* (仙劍奇俠傳：九野) which ranked sixth on the chart of Top Free Games of Apple's App Store in the first month of its launch. In the second half of 2021, Beijing Softstar launched the self-developed game *Legend of Sword and Fairy 7* (仙劍奇俠傳七) which topped the best-selling lists of WeGame, Steam China and Steam Overseas at its launch, achieving a sales volume of over 400,000 with its 2021 PC version. The cloud version of the game also reached a sales volume of over 200,000. In 2021, the global sales volume of the self-developed PC game *Monopoly 10* (大富翁10) by Beijing Softstar exceeded 1,000,000. The self-developed card and board games of the Group, *Joy of Mahjong* (歡樂真人麻將), continued to enhance player experience through data mining and refined operation and won the Huawei App Market Emerging Popularity Award 2021 (2021年華為應用市場人氣飆升獎). The game also cooperated with Douyin (抖音), Kuaishou (快手) and WeChat video channels for card and board games live streaming, of which the average monthly gross billing reached RMB36.4 million in 2021, generating stable revenue to the Group. For the year ended 31 December 2021, revenue from the Group's game development business amounted to RMB905.0 million, representing a year-on-year increase of 23.9%. The Group increased investment in research and development business in 2021, the number of research and development personnel of several research and development teams such as the newly established Mantianxing Studio (滿天星工作室) and DaYu Studio (大禹工作室) reached 624, a year-on-year increase of 30.0%; research and development investment increased from RMB208.6 million in 2020 to RMB310.7 million in 2021, representing a year-on-year increase of 48.9%. The Group continued to develop in-depth in five major game categories, namely value-oriented, platform-oriented, gameplay-oriented, eSports-oriented and card-and-board-oriented games to create the Group's self-developed barrier with full effort.

***The Group has stepped up its efforts to its own IP operation including reaching out to young consumers through multiple channels and continuous enhancement of the influence of IPs.*** The Group has adopted a full deployment along the whole industry chain of the Legend of Sword and Fairy IP, covering literature, film and television, comics, animation, games, music, content experience, live entertainment and derivatives, and has joined hands with top partners in related fields to jointly build the Legend of Sword and Fairy IP universe. The short drama of *Sword and Fairy Inn* (仙劍客棧), which was launched in cooperation with Boxing Culture (鉞星文化), has been released online. The short drama with the same name of the mobile game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), which was launched in cooperation with Kuaishou (快手), has also been released with more than a hundred million views. In 2021, the Group has cooperated with Alibaba's Lingxi



Games (靈犀互娛) for the development of the large-scale MMORPG mobile game, *Sword and Fairy • Yuanqi* (仙劍 • 緣起). In November 2021, *Legend of Sword and Fairy 1* (仙劍奇俠傳一) in cooperation with Penguin Pictures (企鵝影視) has officially commenced shooting. The Group's development of the literature content of the *Legend of Sword and Fairy Universe* (仙劍大宇宙) is progressing in an orderly manner, with the new edition of the *Legend of Sword and Fairy 1* (仙劍奇俠傳一) novel, *Legend of Sword and Fairy 2* (仙劍奇俠傳二) novel, *Legend of Sword and Fairy 4* (仙劍奇俠傳四) novel, as well as works like *Xian Xia Zhuan* (仙霞傳), *Yao Tai Xue* (瑤台雪) and *Qiong Hua Hou Zhuan* (瓊華後傳) published. Sales of the Tmall shop for the *Legend of Sword and Fairy* (仙劍) operated by the Group reached RMB14.2 million in 2021. In 2021, the Group launched its first *Legend of Sword and Fairy* (仙劍) digital collections with the release of 40,000 NFT of *Legend of Sword and Fairy* (仙劍) character badges through the digital collections e-commerce platform, TheOne.Art (唯一藝術), which were sold out in one second. For the year ended 31 December 2021, revenue derived from the Group's IP licensing business amounted RMB231.9 million, representing a year-on-year increase of 106.9%.

***Our continuous strategic investments in developers with potentials will be a strong backbone for the Group's IP-based games ecosystem.*** As of 31 December 2021, the Group had direct investments in over 20 high-quality game developers. In 2021, the Group completed its investment in Shenzhen Heyao, Xinrui Mutual Entertainment, Maiji IT and Tornado Network and formulated detailed cooperation plans with these game developers. Pursuant to the cooperation plans, the Group will exclusively publish a MMORPG mobile game with an oriental fantasy world background *Code: Mountainous and Seas* (代號：山海) developed by Shenzhen Heyao; and will exclusively publish a RPG mobile card game adapted from a popular novel IP, *Cultivation Chat Group* (修真聊天群) licensed by China Literature Limited (閱文集團) and developed by Xinrui Mutual Entertainment. The Group also cooperated with Maiji IT to jointly create an action card game based on the platinum work of China Literature Limited and the leading IP of Tencent Video and Animation of *Swallowed Star* (吞噬星空). Besides, the Group collaborated with Shanghai Bantu Network Technology Co., Ltd. (上海班圖網絡科技有限公司), which it invested in during the second half of 2020, to jointly develop a strategic mobile board game. The strategic investments centered around the game segment has enhanced the Group's production and development capabilities in various sub-sectors of the game market and expanded the Group's game reserves.

In addition, the Group, through China Prosperity Capital Mobile Internet Fund, L.P. (國宏嘉信資本) and Fontaine Capital Fund L.P, focused on digital creative culture, communications and other emerging technology industries, and has established a close connection and achieved synergy with them. Some projects also achieved multiple times growth in investment income, which improved the safety margin and financial return of fund assets.

**The Group received the following awards and recognitions for the quality and popularity of its games and services, as well as the contributions to social responsibility during the reporting period:**

<b>Award/Recognition</b>	<b>Year of Award</b>	<b>Awarding Institution/Authority</b>
“Golden Diamond Award” as Most Influential Enterprise 2021 (金鑽榜2021最具影響力企業)	2022	Association of Game Industry of Guangdong (廣東省遊戲產業協會)
“Golden Diamond Award” as Social Responsibility Award 2021 (金鑽榜2021社會責任獎)	2022	Association of Game Industry of Guangdong (廣東省遊戲產業協會)
“Golden Diamond Award” as Outstanding Contribution Award 2021 (金鑽榜2021年度突出貢獻獎)	2022	Association of Game Industry of Guangdong (廣東省遊戲產業協會)
“Golden Diamond Award” as Best Chinese Game 2021 in the for <i>The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart</i> (金鑽榜2021最佳國產遊戲: 新射鵰群俠傳之鐵血丹心)	2022	Association of Game Industry of Guangdong (廣東省遊戲產業協會)
Outstanding Partner of the Year 2021 in the Mobile Hardcore Alliance Black Stone Awards (黑石獎硬核2021年度優秀合作公司)	2022	Mobile Hardcore Alliance (硬核聯盟)
Superstar Game in 2021 in the Mobile Hardcore Alliance Black Stone Awards for <i>Soul Land: God of Battle Arise</i> (黑石獎硬核2021超級明星遊戲: 斗羅大陸: 鬥神再臨)	2022	Mobile Hardcore Alliance (硬核聯盟)
Guangdong Top 500 Enterprises 2021 (2021廣東企業500強)	2022	Enterprise Association of Guangdong (廣東省企業聯合會)
Top 100 Innovative Enterprises in Guangdong 2021 (2021廣東創新企業100強)	2022	Enterprise Association of Guangdong (廣東省企業聯合會)
Top 100 Internet Enterprises in 2021 (2021互聯網企業TOP 100)	2022	China Internet Week published by the Chinese Academy of Sciences (中國科學院《互聯網週刊》)
Shenzhen Top 100 Cultural Enterprise (深圳文化企業100強)	2021	Shenzhen Municipal Bureau of Culture, Radio, Television, Tourism and Sports (深圳市文化廣電旅遊體育局)
National Cultural Export Key Enterprise in 2021-2022 (2021-2022年度國家文化出口重點企業)	2021	Ministry of Commerce of The People’s Republic of China (商務部)
2021 IP Business Innovative Enterprise (2021年度IP商業創新企業)	2021	China Internet Week 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)
Listed Company with the Highest Investment Value in the New Economy in 2021 (2021新經濟最具投資價值上市公司)	2021	Cailianshe (財聯社)
Outstanding Social Responsibility Performance Enterprise (社會責任表現相對突出企業)	2021	People’s Daily Online (人民網)
Most Socially Responsible Listed Company (最具社會責任上市公司)	2021	Sina Finance (新浪財經)

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The following table sets forth the comparative figures for the years ended 31 December 2020 and 2021:

	For the year ended 31 December	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
<b>Revenue</b>	<b>3,956,570</b>	3,820,326
Cost of sales	<u>(2,483,080)</u>	<u>(2,597,062)</u>
<b>Gross profit</b>	<b>1,473,490</b>	1,223,264
Other income and gains	<b>236,969</b>	389,172
Selling and distribution expenses	<b>(497,627)</b>	(341,497)
Administrative expenses	<b>(445,751)</b>	(403,593)
Impairment losses on financial and contract assets, net	<b>(29,359)</b>	(52,290)
Other expenses	<b>(55,724)</b>	(50,450)
Finance costs	<b>(24,292)</b>	(35,228)
Share of (losses)/profits of a joint venture	<b>(4,131)</b>	15
Share of profits and losses of associates	<b>(2,469)</b>	(12,591)
<b>Profit before tax</b>	<b>651,106</b>	716,802
Income tax expense	<b>(57,163)</b>	(26,602)
<b>Profit for the year</b>	<b>593,943</b>	690,200
<b>Attributable to owners of the parent</b>	<b>611,770</b>	701,319
Attributable to non-controlling interests	<b>(17,827)</b>	(11,119)
Adjusted net profit	<b>630,028</b>	806,950

### Adjusted net profit

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

	For the year ended 31 December	
	2021 RMB'000	2020 RMB'000
<b>Profit for the year attributable to owners of the parent</b>	<b>611,770</b>	701,319
Add:		
Equity-settled share-based expense	<b>18,258</b>	105,631
<b>Adjusted net profit</b>	<b>630,028</b>	806,950

## Revenue

The Group's revenue increased by approximately 3.6% from RMB3,820.3 million for the year ended 31 December 2020 to RMB3,956.6 million for the year ended 31 December 2021.

Revenue by category:

	For the year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Game publishing	2,819,638	71.3	2,977,901	78.0
Game development	904,989	22.9	730,301	19.1
IP Licensing	231,943	5.8	112,124	2.9
<b>Total</b>	<b>3,956,570</b>	<b>100.0</b>	<b>3,820,326</b>	<b>100.0</b>

- (i) An decrease in the Group's game publishing revenue by 5.3% from RMB2,977.9 million for the year ended 31 December 2020 to RMB2,819.6 million for the year ended 31 December 2021. Although there were a number of new games launched during the reporting period, including *Soul Land: God of Battle Arise* (斗羅大陸: 鬥神再臨), *One Piece: The Voyage* (航海王熱血航線) and *Dynasty Warriors: Hegemony* (真·三國無雙霸), which provided new publishing revenue to the Group, while the launch of *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) in the overseas markets recorded a huge success. However, the delay of obtaining Banhao as scheduled for various games planned to be published in 2021, such as *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), *Cultivation Fantasy* (我的御劍日記) and *Rakshasa Street: Chosen One* (鎮魂街:天生為王), which led to the delay in the launch of these games, resulting in a slight decrease in the size of publishing revenue.
- (ii) An increase in the Group's game development revenue by 23.9% from RMB730.3 million for the year ended 31 December 2020 to RMB905.0 million for the year ended 31 December 2021, with its proportion in the revenue of the year ended 31 December 2021 of the Group further increased to 22.9%, primarily due to the stable performance of *The World of Legend – Thunder Empire* (傳奇世界之雷霆霸業) developed by Wenmai Hudong, a wholly-owned subsidiary of the Group. The outstanding sales performance of *Legend of Sword and Fairy 7* (仙劍奇俠傳七) developed by Beijing Softstar, the wholly-owned subsidiary of the Group, and a larger extent increase in the revenue of *Joy of Mahjong* (歡樂真人麻將), a card and board game developed internally by the Group.

(iii) An increase in the revenue generated from the Group's IP licensing by 106.9% from RMB112.1 million for the year ended 31 December 2020 to RMB231.9 million for the year ended 31 December 2021, primarily as a result of the increase in the Group's revenue generated from IP licensing of *Legend of Sword and Fairy* (仙劍奇俠傳).

### Cost of sales

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

	For the year ended 31 December			
	2021		2020	
	RMB'000	% to Revenue	RMB'000	% to Revenue
Commissions charged by channels and CPs	2,113,537	53.4	2,430,032	63.6
Amortisation of game royalties	27,529	0.7	24,777	0.6
Amortisation of software copyrights	13,619	0.3	28,042	0.7
Amortisation of IP royalties	33,433	0.9	25,771	0.7
Commissions charged by IPs	155,974	3.9	40,483	1.1
Game development costs	65,945	1.7	15,400	0.4
Others	73,043	1.9	32,557	0.9
<b>Total</b>	<b>2,483,080</b>	<b>62.8</b>	<b>2,597,062</b>	<b>68.0</b>

The Group's cost of sales decreased by 4.4% from RMB2,597.1 million for the year ended 31 December 2020 to RMB2,483.1 million for the year ended 31 December 2021. Although the Group increased its investment in game development business during the reporting period, game development costs increased by 328.2% from RMB15.4 million for the year ended 31 December 2020 to RMB65.9 million for the year ended 31 December 2021; and the IP commission related to the newly launched IP game *One Piece: The Voyage* (航海王熱血航線) increased during the reporting period. However, the publishing revenue of the Group's publishing business decreased due to the failure of obtaining Banhao for the Group's games originally planned to be launched in 2021 during the reporting period, resulting in a 13.0% decrease in the commissions charged by channels and CPs from RMB2,430.0 million for the year ended 31 December 2020 to RMB2,113.5 million for the year ended 31 December 2021.

### ***Gross profit and gross profit margin***

The Group's gross profit increased by 20.5% from RMB1,223.3 million for the year ended 31 December 2020 to RMB1,473.5 million for the year ended 31 December 2021. The Group's gross profit margin increased from 32.0% for the year ended 31 December 2020 to 37.2% for the year ended 31 December 2021. The increase in gross profit and gross profit margin was mainly due to (i) significantly increased revenue generated from the Group's IP licensing during the reporting period, and commissions did not need to be charged by channels for the income; (ii) increased proportion of revenue generated from overseas publishing business in the revenue generated from publishing business, and the commissions charged by overseas publishing channels is lower; and (iii) the increased proportion of the revenue generated from research and development business, and a decrease in the commission charged by channels under the self-development business model.

### **Other income and gains**

The Group's other income and gains consist primarily of (i) bank interest income; (ii) government grants; and (iii) gains on disposal of investments in associates. The table below sets forth the Group's other income and gains by category for the years indicated:

	<b>For the year ended 31 December</b>			
	<b>2021</b>		<b>2020</b>	
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>
Bank interest income	<b>12,149</b>	<b>5.1</b>	21,202	5.4
Government grants	<b>25,808</b>	<b>10.9</b>	22,008	5.7
Other interest income from financial assets	—	—	11,063	2.8
Fair value gains on financial assets at fair value through profit or loss	—	—	295,899	76.0
Gains on disposal of investments in associates	<b>185,145</b>	<b>78.2</b>	33,471	8.6
Gains on disposal of financial assets at fair value through profit or loss	<b>6,279</b>	<b>2.6</b>	84	0.1
Foreign exchange difference	<b>3,139</b>	<b>1.3</b>	—	—
Others	<b>4,449</b>	<b>1.9</b>	5,445	1.4
<b>Total</b>	<b><u>236,969</u></b>	<b><u>100.0</u></b>	<b><u>389,172</u></b>	<b><u>100.0</u></b>

The Group's other income and gains decreased by 39.1% from RMB389.2 million for the year ended 31 December 2020 to RMB237.0 million for the year ended 31 December 2021. The Group disposed of its shares in an associate during the reporting period. The gain on disposal of investments in associates increased by 453.2% from RMB33.5 million for the year ended 31 December 2020 to RMB185.1 million for the year ended 31 December 2021. However, certain research and development companies in which the Group has invested recorded a decrease in fair value during the reporting period, and the fair value gains on financial assets at fair value through profit or loss decreased by 100% from RMB295.9 million for the year ended 31 December 2020 to RMB0 million for the year ended 31 December 2021.

### Selling and distribution expenses

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

	For the year ended 31 December			
	2021		2020	
	RMB'000	% to Revenue	RMB'000	% to Revenue
Marketing expenses	428,938	10.8	297,471	7.8
Salaries and welfare	61,031	1.5	40,261	1.0
Office costs and utilities	5,795	0.2	3,131	0.1
Others	1,863	0.1	634	0.0
<b>Total</b>	<b>497,627</b>	<b>12.6</b>	<b>341,497</b>	<b>8.9</b>

The Group's selling and distribution expenses increased by 45.7% from RMB341.5 million for the year ended 31 December 2020 to RMB497.6 million for the year ended 31 December 2021. This increase was primarily attributable to (i) the large-scale promotion for the *Soul Land: God of Battle Arise* (斗羅大陸：鬥神再臨) launched by the Group in 2021; (ii) the large-scale promotion for *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) launched in overseas by the Group in 2021; and (iii) the expanded scale of promotion for the *Joy of Mahjong* (歡樂真人麻將), a self-developed card and board game by the Group in 2021.

## Administrative expenses

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

	For the year ended 31 December			
	2021		2020	
	RMB'000	% to Revenue	RMB'000	% to Revenue
Research and development expenses	310,673	7.9	208,630	5.5
Salaries and welfare	82,847	2.1	151,998	4.0
Office costs and utilities	46,365	1.2	38,878	1.0
Others	5,866	0.1	4,087	0.1
<b>Total</b>	<b>445,751</b>	<b>11.3</b>	<b>403,593</b>	<b>10.6</b>

The Group's administrative expenses increased by 10.4% from RMB403.6 million for the year ended 31 December 2020 to RMB445.8 million for the year ended 31 December 2021. Such increase was mainly because the Group continued to intensify the investment in research and development, the several newly-established research and development studios and the expanding research and development team during the reporting period. The research and development expenses increased by 48.9% from RMB208.6 million for the year ended 31 December 2020 to RMB310.7 million for the year ended 31 December 2021.

## Impairment losses on financial and contract assets, net

The Group's impairment losses on assets represent the impairment loss of trade receivables. The Group's impairment losses on financial assets decreased by 43.9% from RMB52.3 million for the year ended 31 December 2020 to RMB29.4 million for the year ended 31 December 2021 under the relevant management policies of the Group adopted in accordance with HKFRS 9.

## Other expenses

The Group's other expenses increased by 10.5% from RMB50.5 million for the year ended 31 December 2020 to RMB55.7 million for the year ended 31 December 2021. The increase was primarily attributable to the increase in the loss from the fair value changes of financial assets.



## **Finance costs**

The Group's finance costs mainly consist of interest expenses, which decreased by 31.0% from RMB35.2 million for the year ended 31 December 2020 to RMB24.3 million for the year ended 31 December 2021, mainly due to the decrease in interest rates of interest-bearing bank borrowings during the year and certain borrowings incurred in the second half of 2021.

## **Share of losses of a joint venture**

As at 31 December 2021, 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 losses of a joint venture change from a profit of RMB15,000 for the year ended 31 December 2020 to a loss of RMB4.1 million for the year ended 31 December 2021.

## **Share of profits and losses of associates**

The Group's share of profits and losses of associates decreased from a loss of RMB12.6 million for the year ended 31 December 2020 to a loss of RMB2.5 million for the year ended 31 December 2021.

## **Profit before tax**

As a result of the foregoing, the Group's profit before tax decreased by 9.2% from RMB716.8 million for the year ended 31 December 2020 to RMB651.1 million for the year ended 31 December 2021.

## **Income tax expense**

The Group's income tax expense increased by 114.9% from RMB26.6 million for the year ended 31 December 2020 to RMB57.2 million for the year ended 31 December 2021, mainly because of: (i) the increased income from overseas business, which led to an increase in overseas income tax expense; and (ii) less favourable Corporate Income Tax rate entitled by certain subsidiaries in Mainland China for the year ended 31 December 2021.

## **Profit for the year**

As a result of the foregoing, the Group's profit for the year decreased by 13.9% from RMB690.2 million for the year ended 31 December 2020 to RMB593.9 million for the year ended 31 December 2021.

## **LIQUIDITY AND FINANCIAL RESOURCES**

For the year ended 31 December 2021, the Group funded its cash requirements principally from cash generated from its operating activities and financing activities. The Group had cash and cash equivalents of RMB794.9 million and RMB818.5 million as at 31 December 2020 and 2021, respectively. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash which are not restricted as to use.

The Group generally deposits its excess cash in its interest-bearing bank accounts and current accounts. The Group believes that its liquidity requirements will be satisfied by using a combination of (i) cash generated from its operating activities; (ii) bank borrowings; (iii) other funds raised from the capital markets from time to time; and (iv) the net proceeds received from the Listing, a top-up placing on 4 December 2020 (the “**Top-up Placing**”) and subscription of new shares by Bilibili Inc. and other subscribers on 10 May 2021 (the “**Subscription**”). The Group currently does not have any plans for material additional external financing.

## **Financing activities**

On 10 May 2021, the Company has completed the allotment and issue of a total of 257,900,000 new ordinary shares of US\$0.0001 each at a price of HK\$3.30 per share. Among the new ordinary shares issued, 198,000,000, 56,400,000 and 3,500,000 shares were allotted and issued to Bilibili Inc., Wide Fortune Enterprises Limited and Century Network (Hongkong) Limited, respectively. The Group received a total net proceeds of approximately HK\$849.15 million upon completion.

## Cash flow

The table below sets forth a summary of the Group's cash flows for the years indicated:

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Net cash flows from operating activities	349,291	602,318
Net cash flows used in investing activities	(988,482)	(863,480)
Net cash flows from financing activities	689,815	329,680
Net increase in cash and cash equivalents	50,624	68,518
Cash and cash equivalents at beginning of year	794,888	771,090
Effect of foreign exchange rate changes, net	(26,992)	(44,720)
Cash and cash equivalents at end of the year	818,520	794,888

### Net cash flows from operating activities

For the year ended 31 December 2021, the Group recorded net cash from its operating activities of RMB349.3 million, which was primarily attributable to the Group's profit before taxation of RMB651.1 million, primarily adjusted by (i) impairment of trade receivables of RMB29.4 million; (ii) amortisation of other intangible assets of RMB127.6 million; (iii) gain on disposal of investment in an associate of RMB185.1 million; (iv) fair value losses on financial assets at fair value through profit or loss of RMB12.7 million; and (v) depreciation of right-of-use assets of RMB24.9 million. Movements in working capital contributed a net cash outflow of RMB386.7 million, consisting of (a) an increase in trade and bills receivables of RMB199.2 million; (b) an increase in prepayments, other receivables and other assets of RMB215.8 million; (c) a decrease in amounts due from related parties of RMB2.3 million; (d) an increase in trade payables of RMB112.0 million; (e) a decrease in other payables and accruals of RMB23.2 million; (f) a decrease in amounts due to related parties of RMB15.1 million; and (g) income tax paid of RMB47.7 million.

### Net cash flows used in investing activities

For the year ended 31 December 2021, the Group recorded net cash used in investing activities of RMB988.5 million, which was primarily attributable to (i) purchases of financial assets at fair value through profit or loss of RMB543.8 million; (ii) additions to other intangible assets of RMB791.1 million, including the trademarks and copyrights of Legend of Sword and Fairy; (iii) acquisition of subsidiaries of RMB115.0 million, mainly the contingent consideration payable relating to the acquisition of Wenmai Hudong, partially offset by, among others, (iv) disposal of financial assets at fair value through profit or loss of RMB296.9 million.

## Net cash flows from financing activities

For the year ended 31 December 2021, the Group recorded net cash flows from financing activities of RMB689.8 million, which was primarily attributable to (i) proceeds from the subscription of new shares by Bilibili Inc. and other subscribers of RMB702.0 million; and (ii) new bank loans obtained by the Group of RMB859.6 million, partially offset by, among others, (iii) dividends paid of RMB213.7 million; and (iv) repayment of bank and other loans of RMB546.4 million.

## Indebtedness

For the year ended 31 December 2021, the Group obtained bank loans of RMB859.6 million and repaid bank and other loans of RMB546.4 million.

As at 31 December 2021, the Group had interest-bearing bank and other borrowings of RMB764.6 million (2020: RMB451.4 million), including bank loans amounting to RMB170.0 million and secured by the pledge of the Group's time deposits in the sum of RMB201.3 million. The effective interest rates on the Group's secured bank loans were to 4.50%, and the Group's unsecured bank loans from 1.89% to 5.50%.

As at 31 December 2021, the lease liabilities of the Group were RMB25.1 million (2020: RMB27.6 million).

## Off-balance sheet commitments and arrangements

As at 31 December 2021, the Group did not enter into any off-balance sheet transactions (2020: Nil).

## KEY FINANCIAL METRICS

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

	For the year ended/ as at 31 December	
	2021	2020
Current ratio (times) <sup>(1)</sup>	1.9	2.1
Gearing ratio <sup>(2)</sup>	13.2%	9.4%
Gross profit margin	37.2%	32.0%

### Notes:

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

## **CAPITAL EXPENDITURES**

The Group's historical capital expenditures primarily included royalties paid to game developers and IP owners. The Group funded its capital expenditure requirements during the year ended 31 December 2021 mainly with its internal resources.

The Group's capital commitments as at 31 December 2020 and 2021 amounted to RMB43.7 million and RMB408.3 million, respectively. The Group's capital commitments as at 31 December 2021 were for the purchase of IP and game licenses and equity investments.

## **SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS OR DISPOSAL**

Save as disclosed below, during the year ended 31 December 2021, 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.

On 5 August 2021, the Group conditionally agreed to acquire from Softstar Entertainment Inc. (大宇資訊股份有限公司) its indirect 49% equity interest in Beijing Softstar and all IP rights relating to Legend of Sword and Fairy (仙劍奇俠傳) registered, licensed or used in China at a total consideration of HK\$641.8 million. For further details, please refer to the Company's announcements dated 5 August 2021 and 18 August 2021.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Group will continue to focus on its existing business and will apply the net proceeds from the Subscription as set out in the relevant announcements dated 29 April 2021 and 10 May 2021. No concrete plan for material investments or capital assets is in place for the Group as at the date of this announcement.

## USE OF PROCEEDS FROM LISTING

The net proceeds from the Listing was approximately HK\$1,347.1 million after deducting underwriting fees and expenses in connection with the Listing. The Company applied the net proceeds as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus, and there was no material change or delay in the use of proceeds.

The table below sets forth (i) the amount of net proceeds utilised by the Company from 31 October 2019 (the “**Listing Date**”) to 31 December 2019, and during the years ended 31 December 2020 and 2021; (ii) the amount of unutilised net proceeds of the Company as at 31 December 2021; and (iii) the expected timeline of the Company for the full utilisation of the remaining proceeds:

No.	Purposes	Amount of the net proceeds (HK\$ in millions)	Amount utilised	Amount	Amount	Amount of	Expected timeline for the full utilisation of the remaining proceeds
			between the Listing Date and 31 December 2019 (HK\$ in millions)	utilised during the year ended 31 December 2020 (HK\$ in millions)	utilised during the year ended 31 December 2021 (HK\$ in millions)	unutilised net proceeds as at 31 December 2021 (HK\$ in millions)	
1.	Expanding and enhancing the Company’s IP-based game publishing and development business (50% of the total net proceeds)	673.55	209.65	269.54	194.36	—	N/A
2.	Conducting merger and acquisition activities of participants in the mobile game ecosystem (40% of the total net proceeds)	538.84	200.64	338.20	—	—	N/A
3.	Working capital and general corporate purposes (10% of the total net proceeds)	134.71	15.35	112.70	6.66	—	N/A
	<b>Total</b>	<u>1,347.10</u>	<u>425.64</u>	<u>720.44</u>	<u>201.02</u>	<u>—</u>	

As illustrated in the above table, the Company has fully utilised the net proceeds from the Listing and there is no unutilised net proceeds from the Listing as at 31 December 2021.

## USE OF PROCEEDS FROM THE TOP-UP PLACING

The net proceeds from the Top-up Placing was approximately HK\$536.78 million after deducting related fees and expenses in connection with the Top-up Placing. The Company has applied the net proceeds as set out in the Company's announcements dated 24 November 2020 and 4 December 2020.

The table below sets forth (i) the amount of net proceeds utilised by the Company from the completion of the Top-up Placing to 31 December 2020, and during the year ended 31 December 2021; (ii) the amount of unutilised net proceeds of the Company as at 31 December 2021; and (iii) the expected timeline of the Company for the full utilisation of the remaining unutilised net proceeds:

No.	Purposes	Amount utilised between		Amount utilised during the year ended 31 December 2021 (HK\$ in millions)	Amount of unutilised net proceeds as at 31 December 2021 (HK\$ in millions)	Expected timeline for the full utilisation of the remaining proceeds
		the completion of the Top-up Placing and 31 December 2020 (HK\$ in millions)	the completion of the Top-up Placing and 31 December 2020 (HK\$ in millions)			
1.	Further enhance IP-based game publishing and development business through acquisitions and/or investments	536.78	—	536.78	—	N/A

As illustrated in the above table, the Company has fully utilised the net proceeds from the Top-up Placing and there is no unutilised net proceeds from the Top-up Placing as at 31 December 2021.

## USE OF PROCEEDS FROM THE SUBSCRIPTION OF NEW SHARES BY BILIBILI INC. AND OTHER SUBSCRIBERS

The net proceeds from the Subscription was approximately HK\$849.15 million after deducting related fees and expenses in connection with the Subscription. The Company will apply the net proceeds as set out in the Company's announcements dated 29 April 2021 and 10 May 2021.

The table below sets forth (i) the amount of net proceeds utilised by the Company from the completion of the Subscription to 31 December 2021; (ii) the amount of unutilised net proceeds of the Company as at 31 December 2021; and (iii) the expected timeline of the Company for the full utilisation of the remaining unutilised proceeds:

No.	Purposes	Amount of the net proceeds (HK\$ in millions)	Amount utilised between the completion of the Subscription and 31 December 2021 (HK\$ in millions)	Amount of unutilised net proceeds as at 31 December 2021 (HK\$ in millions)	Expected timeline for the full utilisation of the remaining proceeds
1.	Further enhance IP-based game publishing and development business through acquisitions and/or investments	849.15	470.90	378.25	Before 31 December 2022

Given the impact of the global COVID-19 pandemic on the economy, the Company will continue to evaluate the situation and adopt a prudent and flexible approach when utilising its net proceeds from the Subscription for the long-term benefit and development of the Group. The current expected timelines for using the unutilised net proceeds from the Subscription are based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions. Should there be any material change in the intended usage of the net proceeds from the Subscription, the Company will make appropriate announcements in due course.



## **OTHER INFORMATION**

### **Purchase, Sale or Redemption of Listed Securities**

On 29 April 2021 (before trading hours), the Company entered into subscription agreements with each of Bilibili Inc., Wide Fortune Enterprises Limited and Century Network (Hongkong) Limited (collectively the “**Subscribers**”), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 257,900,000 ordinary shares (the “**Subscription Shares**”) at the subscription price of HK\$3.30 per Subscription Share (with the closing price of HK\$3.66 per share as quoted on the Stock Exchange on the trading day immediately before the date of the subscription agreements).

The Subscription was completed on 10 May 2021 and the Group received a total net proceeds of approximately HK\$849.15 million upon completion. The Subscription Shares have an aggregate nominal value of US\$25,790. Taking into account the expenses of the Subscription in the amount of approximately HK\$1.92 million, the net price per Subscription Share will be approximately HK\$3.29. The Group intends to apply the net proceeds from the Subscription to further enhance its IP-based game publishing and development business. Further details regarding the use of proceeds from the Subscription are set forth under the section headed “Use of Proceeds from the Subscription of New Shares by Bilibili Inc. and other Subscribers” of this announcement.

Save for the subscription of new shares by Bilibili Inc. and other subscribers as set forth in the Company’s announcements dated 29 April 2021 and 10 May 2021, the Group did not purchase, sell or redeem any of the Company’s listed securities during the year ended 31 December 2021.

### **Environmental, Social and Governance (“ESG”) Initiatives**

As a responsible corporate citizen, the Group adheres to the concept of sustainable development, actively fulfils its corporate social responsibilities, incorporates environmental protection and environmental management into its business decisions, and is committed to building a healthy and harmonious online and offline ecosystem by actively investing in its internet platform and carrying out charitable activities. In addition, the Group has been focusing on maintaining closer connections with different stakeholders, listening to the voices of gamers, caring for and growing with its employees, and taking on more social responsibilities.

## *Environment*

As a game publisher and developer, the Group's business does not have a significant impact on environment. However, the Group still pays attention to environmental protection. The Group has established environmental, social and governance policies and procedures, and has incorporated the concept of sustainable development into its daily management to enhance the environmental awareness of the employees of the Group. The Group is committed to reducing greenhouse gas emission and actively promoting green office practice by sticking to "4R" environmental-friendly principals (i.e. Reduce, Reuse, Recycle and Replace) in our daily operation with the aims to reduce wastes and optimise the efficiency of resources usage. In 2021, the Group's total greenhouse gas emissions and total emission intensity, as well as the emissions and intensity of non-hazardous wastes, decreased compared to 2020. This demonstrated the effectiveness of the Group's series of vehicle management measures, energy saving policies and green measures.

## *Social*

The Group upholds the philosophy of "earnestly fulfilling social responsibilities and actively carrying out community activities" and regards community activities as an important part of its corporate culture. Since the Group engages in game licensing and publishing business, the Group focuses on the charity for the youth and gives back to the society with a grateful heart. The Group has conducted several community volunteer activities during the reporting period due to the alleviation of the COVID-19 pandemic in China. In June 2021, the Group participated in the vaccination volunteer service, maintained order at vaccination points, provided inquiry services for the public, and visited the Shenzhen Armed Police Branch during July 2021. During the flood in Henan in July 2021, the Group donated a total of RMB1 million to the Henan Charity General Federation (河南省慈善總會) to help Henan in its emergency rescue and post-disaster reconstruction. In March 2022, in order to support the fight against the pandemic in Hong Kong, the Group allocated RMB1.0 million equivalent for the first batch of funds to purchase anti-pandemic supplies locally, and contacted the social anti-pandemic organizations in Hong Kong for orderly distribution. The first batch of anti-pandemic funds will be mainly used for the vulnerable groups such as the elderly and children in Hong Kong who are lacking anti-pandemic supplies. The Group will continue to contribute to the future prosperity and growth of the youth, promote the established social welfare projects and continue to explore more different social and cultural activities, so as to establish a healthy and positive corporate image for the game industry.

## *Governance*

The Group has established a governance structure to enhance its efforts in environmental, social and governance related works. The Board has overall responsibility for the environmental, social and governance strategies and reporting matters of the Group and fully monitors the related risks and opportunities. The Board conducts an enterprise risk assessment at least once a year to identify, evaluate and monitor environmental, social and governance related risks in the ordinary course of business. The Board is also responsible for formulating the Group's environmental, social and governance related management approach, strategies and objectives, regularly reviewing the objectives set by the Group and its performance regarding such objectives and revising its strategies as appropriate. To carry through the concept of sustainable development and effectively manage environmental, social and governance matters, the Group has established an environmental, social and governance working group to assist the Board in overseeing and promoting the implementation of various environmental, social and governance strategies. The environmental, social and governance working group is also responsible for assisting the Board to identify and prioritise important issues, reporting to the Board regularly on the effectiveness of the environmental, social and governance system and the performance of the Group in relation to environment and social key performance indicators, and preparing the annual environmental, social and governance report.

### **Corporate Governance Code**

During the year ended 31 December 2021, the Company complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), except for a deviation from code provision C.2.1 of the CG Code.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the 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 (including Mr. Xiao Jian), one non-executive Director and three independent non-executive Directors, and therefore has a fairly strong independence element in its composition, and therefore has a fairly strong independence element in its composition. The Board considers that the balance of power and authority under the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider separating the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Company as a whole.

## **Model Code for Securities Transactions**

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

Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code for the year ended 31 December 2021. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management members or relevant employees of the Group for the year ended 31 December 2021.

## **Employees’ remuneration and relations**

As at 31 December 2021, the Group had 1,176 full-time employees (2020: 1,000). The success of the Group depends on its ability to attract, retain and motivate qualified personnel. As part of the Group’s human resources strategy, the Group offers employees competitive salaries, performance based promotion systems and other incentives. Some of the Group’s employees also received restricted share units (RSUs) under the Company’s pre-IPO restricted share unit schemes (the “Pre-IPO RSU Schemes”) and have been granted share options under the Post-IPO Share Option Scheme. The Group provides training programmes to employees, including new hire training for new employees and continuing technical training for its research and development team and game operation team to enhance their skill and knowledge.

## **Remuneration policy**

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

## **Audit Committee**

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

The Audit Committee has reviewed the Group’s unaudited consolidated financial statements for the year ended 31 December 2021. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

## **Important Events Affecting the Group since 31 December 2021**

A new strain of coronavirus, COVID-19, was identified in 2020 and has continued to evolve during 2021. The Group has been closely monitoring and has proactively minimised the impact of COVID-19 on the Group's operations, and the COVID-19 outbreak has not currently had any significant impact on the Group's financial position and operating results. The Group will continue to review its contingency measures as the COVID-19 outbreak situation evolves.

As at 31 December 2021, the Group's unlisted equity investments (recorded as financial assets at fair value through profit or loss) included certain investments in a third party investment company amounting to RMB226,639,000. This investment was fully recovered in March 2022.

## **Proposed Change of Auditor**

Reference is made to (i) the announcement of the Company dated 21 March 2022 in relation to the expected date of publication of preliminary results in respect of financial year ended 31 December 2021 (the "**2021 Annual Results**") and the proposed change of the Company's auditor and (ii) the circular of the Company dated 25 March 2022 in relation to proposed change of auditor and notice of extraordinary general meeting.

Ernst & Young ("**EY**") was re-appointed as the Company's auditor at the annual general meeting on 25 May 2021 to hold office until the conclusion of the next annual general meeting of the Company. During the audit process for the 2021 Annual Results, the Company and EY could not reach a consensus on the audit timetable and audit fee which it would need to further incur to satisfy EY for the completion of the audit of 2021 Annual Results under the COVID-19 pandemic. After considering the facts and circumstances, and with the recommendation of the Audit Committee, the Board is of the view that it would be in the best interest of the Company and the Shareholders as a whole to replace EY with another reputable accounting firm which can complete audit work on the 2021 Annual Results in a timely and cost efficient manner under the prevailing conditions of the COVID-19 pandemic.

The Board, with the recommendation of the Audit Committee, proposes to appoint BDO Limited ("**BDO**") as the new auditor of the Company to fill the vacancy arising from the proposed change of EY, and to hold office until the conclusion of the next annual general meeting of the Company.

The Board has resolved to call an extraordinary general meeting ("**EGM**") for the purposes of enabling the Shareholders to consider and vote on the resolutions relating to the proposed change of EY pursuant to the articles of association of the Company. The EGM will be held on Friday, 8 April 2022 at 10:00 a.m.. A notice of the EGM was published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cmge.com>).

Save as disclosed above, no other important events affecting the Group has taken place since 31 December 2021 and up to the date of this announcement.

## **Annual General Meeting**

The notice of the AGM will be published on the websites of the Stock Exchange and the Company and despatched to the Shareholders in due course.

## **Final Dividend**

To preserve sufficient funds to meet the financial needs of the Group for its business operations and future business development, having regard to the impact on the Group's business and financial conditions arising from the COVID-19 pandemic, and the prevailing economic environment, the Board does not recommend the declaration of a final dividend for the year ended 31 December 2021.

## **Review of Unaudited Annual Results by the Audit Committee**

In view of travel and other restrictions that have arisen in response to the COVID-19 pandemic, the Stock Exchange and the Securities and Futures Commission (“SFC”) have jointly announced<sup>1</sup> that, where an issuer is unable to obtain agreement from its auditor due to the impact of the COVID-19 pandemic, but is otherwise in other respects able to publish its preliminary results in full compliance with the other reporting requirements set out in the Listing Rules, it should publish such preliminary results (without the agreement with its auditor) on or before the deadline i.e. 31 March 2022). In such cases, the Stock Exchange will normally allow trading in the securities of the issuer to continue.

Due to the recent travel and other restrictions during the COVID-19 pandemic in the PRC, in particular, the recent lockdown of Shenzhen, in which the Company's headquarters is situated, and the practical difficulties arising from the COVID-19 pandemic to arrange site-visits, face-to-face interviews and provide the requisite financial information requested by the Company's auditor, the reporting and audit processes of the Group were adversely affected and the Company is unable to publish its 2021 Annual Results with the agreement of its auditor, on or before 31 March 2022 in accordance with Rule 13.49 of the Listing Rules.

The unaudited annual results for the year ended 31 December 2021 contained herein have been reviewed and agreed by the Audit Committee, but have not been agreed by the Company's auditor as required under Rule 13.49(1) and 13.49(2) of the Listing Rules.

---

<sup>1</sup> The Stock Exchange and the SFC issued the “Joint Statement in relation to Results Announcements in light of Travel Restrictions related to the Severe Respiratory Disease associated with a Novel Infectious Agent” on 4 February 2020 and “Further Guidance on the Joint Statement in relation to Results Announcements in light of the Covid-19 Pandemic” on 16 March 2020. The Stock Exchange issued the “Frequently asked questions on the Joint Statement in relation to Results Announcements in light of Travel Restrictions related to the Severe Respiratory Disease associated with a Novel Infectious Agent (Joint Statement) and holding of general meetings” on 21 February 2022.

### **Delay in Publication of Audited Annual Results for the year ended 31 December 2021 and Despatch of the Annual Report for the year ended 31 December 2021**

Based on the current status of audit work for the 2021 Annual Results, the Company believes BDO, the new auditor to be appointed by the Company as illustrated in the section headed “Proposed change of auditor” above, will be able to complete the audit work of the 2021 Annual Results no later than 30 June 2022. The unaudited financial information contained herein may be adjusted to meet the needs of the completion of the audit. The Company will publish its audited 2021 Annual Results upon completion of the relevant audit process by BDO. The Company will also defer the publication of its annual report for up to 60 days from the deadline (i.e. 30 June 2022). Further announcements will be made by the Company as and when appropriate.

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

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

**The financial information contained herein in respect of the annual results of the Group for the year ended 31 December 2021 have not been audited and have not been agreed with the auditor. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 December	
	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
<b>REVENUE</b>	4	<b>3,956,570</b>	3,820,326
Cost of sales		<u>(2,483,080)</u>	<u>(2,597,062)</u>
Gross profit		<b>1,473,490</b>	1,223,264
Other income and gains	4	<b>236,969</b>	389,172
Selling and distribution expenses		<b>(497,627)</b>	(341,497)
Administrative expenses		<b>(445,751)</b>	(403,593)
Impairment losses on financial and contract assets, net		<b>(29,359)</b>	(52,290)
Other expenses		<b>(55,724)</b>	(50,450)
Finance costs		<b>(24,292)</b>	(35,228)
Share of profits and losses of:			
A joint venture		<b>(4,131)</b>	15
Associates		<b>(2,469)</b>	(12,591)
<b>PROFIT BEFORE TAX</b>	5	<b>651,106</b>	716,802
Income tax expense	6	<b>(57,163)</b>	(26,602)
<b>PROFIT FOR THE YEAR</b>		<b><u>593,943</u></b>	<b><u>690,200</u></b>
Attributable to:			
Owners of the parent		<b>611,770</b>	701,319
Non-controlling interests		<b>(17,827)</b>	(11,119)
		<b><u>593,943</u></b>	<b><u>690,200</u></b>
<b>EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
Basic			
– For profit for the year		<b><u>RMB22.85 cents</u></b>	<b><u>RMB29.92 cents</u></b>
Diluted			
– For profit for the year		<b><u>RMB22.84 cents</u></b>	<b><u>RMB29.92 cents</u></b>



**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>PROFIT FOR THE YEAR</b>	<b><u>593,943</u></b>	<b><u>690,200</u></b>
<b>OTHER COMPREHENSIVE LOSS</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	1,770	(8,502)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>1,770</u>	<u>(8,502)</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(50,099)	(66,519)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(50,099)</u>	<u>(66,519)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	<b><u>(48,329)</u></b>	<b><u>(75,021)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>545,614</u></b>	<b><u>615,179</u></b>
Attributable to:		
Owners of the parent	563,441	626,298
Non-controlling interests	<u>(17,827)</u>	<u>(11,119)</u>
	<b><u>545,614</u></b>	<b><u>615,179</u></b>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December	
		2021	2020
		RMB'000 (Unaudited)	RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property and equipment		8,747	5,847
Right-of-use assets		24,180	27,732
Goodwill	9	1,107,937	1,107,937
Other intangible assets		536,513	154,555
Investment in a joint venture		4,692	8,823
Investments in associates		231,400	96,544
Financial assets at fair value through profit or loss	10	1,896,914	1,539,312
Deferred tax assets		58,182	49,262
Prepayments	12	647,973	330,766
		4,516,538	3,320,778
<b>CURRENT ASSETS</b>			
Trade and bills receivables	11	1,052,446	882,644
Prepayments, other receivables and other assets	12	940,869	519,806
Due from related parties		11,064	13,319
Pledged deposits		502,282	799,164
Cash and cash equivalents		818,520	794,888
		3,325,181	3,009,821
<b>CURRENT LIABILITIES</b>			
Trade payables	13	378,488	268,720
Other payables and accruals		488,966	572,121
Interest-bearing bank and other borrowings		764,601	451,350
Tax payable		135,303	137,632
Due to related parties		4,215	19,298
Lease liabilities		16,631	14,718
		1,788,204	1,463,839

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>NET CURRENT ASSETS</b>	<b>1,536,977</b>	1,545,982
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>6,053,515</b>	4,866,760
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	72,973	53,014
Contingent consideration for business combination	178,236	—
Lease liabilities	8,444	12,890
Total non-current liabilities	259,653	65,904
Net assets	<b>5,793,862</b>	4,800,856
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Issued capital	1,925	1,759
Reserves	5,791,937	4,702,680
	<b>5,793,862</b>	4,704,439
Non-controlling interests	—	96,417
Total equity	<b>5,793,862</b>	4,800,856

## NOTES TO FINANCIAL STATEMENTS

### 1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 20 March 2018 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands. The registered address of the office of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in mobile game publishing and game development in Mainland China, Hong Kong, Taiwan and Korea, and the investment business in Mainland China.

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

### 2.1 BASIS OF PREPARATION

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

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## **2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39,  
HKFRS 7, HKFRS 4 and HKFRS 16

Amendment to HKFRS 16

Amendment to HKFRS 16

*Interest Rate Benchmark Reform – Phase 2*

*Covid-19-Related Rent Concessions*

*Covid-19-Related Rent Concessions beyond 30  
June 2021 (early adopted)*

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework<sup>1</sup></i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>
HKFRS 17	<i>Insurance Contracts<sup>2</sup></i>
Amendments to HKFRS 17	<i>Insurance Contracts<sup>2, 5</sup></i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current<sup>2, 4</sup></i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies<sup>2</sup></i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates<sup>2</sup></i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>2</sup></i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>1</sup></i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract<sup>1</sup></i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

<sup>5</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

## 3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in mobile game publishing, game development and the investment business.

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

**For the year ended 31 December 2021**

<b>Segments</b>	<b>Game publishing RMB'000 (Unaudited)</b>	<b>Game development RMB'000 (Unaudited)</b>	<b>Licensing of intellectual property RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
<b>Segment revenue (note 4)</b>				
Sales to external customers	2,819,638	904,989	231,943	3,956,570
Intersegment sales	—	521,109	—	521,109
	<u>2,819,638</u>	<u>1,426,098</u>	<u>231,943</u>	<u>4,477,679</u>
Reconciliation:				
Elimination of intersegment sales				<u>(521,109)</u>
Total revenue from contracts with customers				<u><u>3,956,570</u></u>
Segment results	905,139	379,146	189,205	1,473,490
Reconciliation:				
Other income and gains				236,969
Selling and distribution expenses				(497,627)
Administrative expenses				(445,751)
Impairment losses on financial and contract assets, net				(29,359)
Other expenses				(55,724)
Finance costs				(24,292)
Share of profits and losses of:				
A joint venture				(4,131)
Associates				<u>(2,469)</u>
<b>PROFIT BEFORE TAX</b>				<u><u>651,106</u></u>

**For the year ended 31 December 2020**

Segments	Game Publishing RMB'000 (Audited)	Game Development RMB'000 (Audited)	Licensing of Intellectual Property RMB'000 (Audited)	Total RMB'000 (Audited)
<b>Segment revenue (note 4)</b>				
Sales to external customers	2,977,901	730,301	112,124	3,820,326
Intersegment sales	—	775,924	—	775,924
	<u>2,977,901</u>	<u>1,506,225</u>	<u>112,124</u>	<u>4,596,250</u>
Reconciliation:				
Elimination of intersegment sales				<u>(775,924)</u>
Total revenue from contracts with customers				<u><u>3,820,326</u></u>
Segment results	851,096	272,964	99,204	1,223,264
Reconciliation:				
Other income and gains				389,172
Selling and distribution expenses				(341,497)
Administrative expenses				(403,593)
Impairment losses on financial and contract assets, net				(52,290)
Other expenses				(50,450)
Finance costs				(35,228)
Share of profits and losses of:				
A joint venture				15
Associates				<u>(12,591)</u>
<b>PROFIT BEFORE TAX</b>				<u><u>716,802</u></u>



### Geographical information

(a) Revenue from external customers

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Mainland China	<b>3,498,117</b>	3,814,097
Other countries/regions	<u><b>458,453</b></u>	<u>6,229</u>
	<u><b>3,956,570</b></u>	<u>3,820,326</u>

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

(b) Non-current assets

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Mainland China	<b>2,523,130</b>	1,591,324
Other countries/regions	<u><b>38,312</b></u>	<u>140,880</u>
	<u><b>2,561,442</b></u>	<u>1,732,204</u>

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

### Information about major customers

During the year ended 31 December 2021, there was no revenue derived from a single external customer that accounted for more than 10% of total revenue.

During the year ended 31 December 2020, revenue of approximately RMB470,200,000 was derived from an individual single external customer which individual accounted for more than 10% of the total revenue.

#### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

##### Revenue from contracts with customers

(a) Disaggregated revenue information

**For the year ended 31 December 2021**

Segments	Game publishing RMB'000 (Unaudited)	Game development RMB'000 (Unaudited)	Licensing of intellectual property RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Types of goods or services</b>				
Mobile game publishing services	2,819,638	—	—	2,819,638
Game development related services	—	904,989	—	904,989
Licensing of intellectual property	—	—	231,943	231,943
Total revenue from contracts with customers	<u>2,819,638</u>	<u>904,989</u>	<u>231,943</u>	<u>3,956,570</u>
<b>Geographical markets</b>				
Mainland China	2,361,185	904,989	231,943	3,498,117
Other countries/regions	458,453	—	—	458,453
Total revenue from contracts with customers	<u>2,819,638</u>	<u>904,989</u>	<u>231,943</u>	<u>3,956,570</u>
<b>Timing of revenue recognition</b>				
Services transferred over time	2,819,638	786,121	60,423	3,666,182
Services transferred at a point in time	—	118,868	171,520	290,388
Total revenue from contracts with customers	<u>2,819,638</u>	<u>904,989</u>	<u>231,943</u>	<u>3,956,570</u>

**For the year ended 31 December 2020**

<b>Segments</b>	Game publishing RMB'000 (Audited)	Game development RMB'000 (Audited)	Licensing of intellectual property RMB'000 (Audited)	Total RMB'000 (Audited)
<b>Types of goods or services</b>				
Mobile game publishing services	2,977,901	—	—	2,977,901
Game development related services	—	730,301	—	730,301
Licensing of intellectual property	—	—	112,124	112,124
Total revenue from contracts with customers	<u>2,977,901</u>	<u>730,301</u>	<u>112,124</u>	<u>3,820,326</u>
<b>Geographical markets</b>				
Mainland China	2,971,672	730,301	112,124	3,814,097
Other countries/regions	6,229	—	—	6,229
Total revenue from contracts with customers	<u>2,977,901</u>	<u>730,301</u>	<u>112,124</u>	<u>3,820,326</u>
<b>Timing of revenue recognition</b>				
Services transferred over time	2,977,901	701,999	43,610	3,723,510
Services transferred at a point in time	—	28,302	68,514	96,816
Total revenue from contracts with customers	<u>2,977,901</u>	<u>730,301</u>	<u>112,124</u>	<u>3,820,326</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of each reporting period and recognised from performance obligations satisfied in previous periods:

	<b>2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	2020 RMB'000 (Audited)
Revenue recognised that was included in the contract liabilities balance at the beginning of year:		
Short-term advances received from publishing channels	<b>125,638</b>	7,814
Sales of game points in self-developed games	<b>34,222</b>	16,015
	<u><b>159,860</b></u>	<u>23,829</u>

(b) Performance obligations

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

*Publishing services*

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

*Game development related services*

When the Group is obligated to provide on-going services to game players, who purchased virtual items to gain an enhanced game-playing experience, the Group has determined that revenue is recognised ratably over the average life for the applicable game, which the Group makes best estimates to be the average playing period of paying players (“**Player Relationship Period**”).

When the Group satisfies the performance obligation at a point in time, the Group has determined that revenue is recognised at a point in time when the customer obtains control of the game products or services provided by the Group.

*Intellectual property licensing services*

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

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

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	<i>(Audited)</i>
Amounts expected to be recognised as revenue:		
Within one year	<b>113,327</b>	131,732

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

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
<b>Other income</b>		
Bank interest income	12,149	21,202
Government grants - related to income*	25,808	22,008
Other interest income from financial assets at fair value through profit or loss	—	11,063
Foreign exchange differences, net	3,139	—
Others	4,449	5,445
	<u>45,545</u>	<u>59,718</u>
<b>Gains</b>		
Gains on disposal of financial assets at fair value through profit or loss	6,279	84
Gains on disposal of investments in associates	185,145	33,471
Fair value gains on financial assets at fair value through profit or loss	—	295,899
	<u>191,424</u>	<u>329,454</u>
	<u><u>236,969</u></u>	<u><u>389,172</u></u>

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

## 5. PROFIT BEFORE TAX

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

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Commissions charged by channels and CPs <sup>(a)</sup>	<b>2,113,537</b>	2,430,032
Commissions charged by IPs	<b>155,974</b>	40,483
Game development cost	<b>65,945</b>	15,400
Promotion expenses	<b>428,938</b>	297,471
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	<b>281,835</b>	208,879
Equity-settled share-based expense	<b>17,072</b>	23,874
Pension scheme contributions (defined contribution scheme) <sup>(b)</sup>	<b>30,210</b>	1,933
	<b>329,117</b>	234,686
Depreciation of property and equipment	<b>4,052</b>	2,875
Depreciation of right-of-use assets	<b>24,923</b>	21,907
Amortisation of other intangible assets <sup>(c)</sup>	<b>127,579</b>	79,436
Research and development costs	<b>310,673</b>	208,630
Lease payments not included in the measurement of lease liabilities	<b>745</b>	114
Foreign exchange differences, net	<b>(3,139)</b>	6,948
Impairment of an investment in an associate	<b>5,805</b>	—
Impairment of financial and contract assets, net:		
Impairment of trade receivables, net	<b>29,359</b>	52,290
Impairment of financial assets included in prepayments, other receivables and other assets	<b>24,744</b>	—
Write-off of prepayments, net <sup>(d)</sup>	<b>3,334</b>	13,960
Impairment of goodwill <sup>(e)</sup>	<b>—</b>	10,680
Impairment of other intangible assets <sup>(e)</sup>	<b>6,018</b>	430
Bank interest income	<b>(12,149)</b>	(21,202)
Loss on disposal of items of property and equipment	<b>209</b>	56
Auditor's remuneration	<b>5,200</b>	4,500
Gains on disposal of financial assets at fair value through profit or loss	<b>(6,279)</b>	(84)
Gains on disposal of investments in associates	<b>(185,145)</b>	(33,471)
Fair value losses/(gains) on financial assets at fair value through profit or loss	<b>12,692</b>	(295,899)
Fair value adjustment of contingent consideration	<b>538</b>	17,424

- (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 RMB415,399,000 during the year ended 31 December 2021 (RMB504,173,000 during the periods from 28 May 2020 to 31 December 2020), and the balance of trade receivables from Shiji Huatong as at 31 December 2021 was RMB18,880,000 (2020: RMB25,026,000).
- (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 year is included in “Cost of sales” in the consolidated statement of profit or loss.
- (d) Write-off of prepayments is included in “other expenses” in the consolidated statement of profit or loss.
- (e) Impairment of goodwill and other intangible assets are included in “other expenses” in the consolidated statement of profit or loss.

## 6. INCOME TAX

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

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

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

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

Shenzhen Douyue Network Technology Company Limited and China Mobile Games and Entertainment Group Limited Shenzhen were accredited as high and new technology enterprises (“**HNTE**”) in 2020 under relevant PRC laws and regulations. Accordingly, Shenzhen Douyue Network Technology Company Limited and China Mobile Games and Entertainment Group Limited Shenzhen 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 and the certificate is valid for three years since its renewal in 2019. For the years ended 31 December 2021 and 31 December 2020, Wenmai Hudong was entitled to a tax rate of 15%. Wenmai Hudong needs to renew the HNTE certificate every three years so as to enjoy the reduced tax rate of 15%.

Softstar Technology (Beijing) Co., Ltd. (“**Beijing Softstar**”) has been accredited as a HNTE since 2009 and the certificate was valid for three years since its renewal in 2018. For the years ended 31 December 2021 and 31 December 2020, Beijing Softstar was entitled to a tax rate of 15%.

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 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 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. was established in Lhasa Tibet. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Tibet Jichuang was 15% for the year ended 31 December 2021.



Hainan Chuangyue Technology Company Limited and Hainan Zhanshen Internet Technology Company Limited 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 Technology Company Limited and Hainan Zhanshen Internet Technology Company Limited was 15% each for the year ended 31 December 2021.

Beijing Shanxunxingkong Technology Co., Ltd., Shenzhen Fansheng Network Technology Co., Ltd. and Shanghai Fanying Network Technology Co., Ltd. were 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 expense for the year are as follows:

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Current tax expense		
PRC		
Charge for the year	<b>29,124</b>	58,247
Overprovision in prior years	—	(11,193)
Hong Kong	<b>16,976</b>	—
Elsewhere	<b>24</b>	42
	<hr/>	<hr/>
Total	<b>46,124</b>	47,096
	<hr/>	<hr/>
Deferred tax expense/(credit)		
PRC	<b>11,039</b>	(20,494)
Hong Kong	—	—
	<hr/>	<hr/>
Total	<b>11,039</b>	(20,494)
	<hr/>	<hr/>
Total tax charge for the year	<b>57,163</b>	26,602
	<hr/> <hr/>	<hr/> <hr/>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate of Mainland China (i.e., 25%) where the main operating entity is domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	<b>2021</b>		2020	
	<b>RMB'000</b>	%	RMB'000	%
	<b>(Unaudited)</b>		(Audited)	
Profit before tax	<b>651,106</b>		716,802	
Tax at the statutory tax rate	<b>162,777</b>	<b>25</b>	179,200	25
Effect of different applicable tax rates for specific jurisdictions or enacted by local authority	<b>(73,829)</b>	<b>(11)</b>	(117,530)	(16)
Profits and losses attributable to a joint venture and associates	<b>911</b>	—	3,959	1
Super deduction for research and development expenses	<b>(41,604)</b>	<b>(6)</b>	(18,606)	(3)
Expenses not deductible for tax	<b>2,346</b>	—	5,344	1
Effect on opening deferred tax of increase in rates	<b>(11,342)</b>	<b>(2)</b>	(3,234)	—
Adjustments in respect of current tax of previous periods	—	—	(11,193)	(2)
Utilisation of previously unrecognised tax losses	<b>(1,492)</b>	—	(20,774)	(3)
Tax losses not recognised	<b>19,396</b>	<b>3</b>	9,436	1
Tax charge at the Group's effective rate	<b>57,163</b>	<b>9</b>	26,602	4

The share of tax attributable to a joint venture and associates amounting to nil (2020: Nil) and nil (2020: RMB2,232,000), respectively, is included in "Share of profits and losses of a joint venture and associates" in the consolidated statement of profit or loss.

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

As at 31 December 2021, no deferred tax (2020: Nil) has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB277,203,000 (2020: RMB220,244,000).

## 7. DIVIDENDS

The board of directors of the Company has resolved not to recommend payment of a final dividend for the year ended 31 December 2021(2020: HK\$0.0928).

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,676,901,781 (2020: 2,343,920,492) in issue during the year, as adjusted to reflect the rights issued during the year.

The Group had 1,521,864 potentially dilutive ordinary shares in issue during the year ended 31 December 2021 (2020: Nil).

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

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent,		
used in the basic and diluted earnings per share calculation	<u>611,770</u>	<u>701,319</u>
	<b>Number of shares</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Audited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue		
during the year used in the basic earnings		
per share calculation	<b>2,676,901,781</b>	2,343,920,492
Effect of dilution – weighted average		
number of ordinary shares		
Share options	<u>1,521,864</u>	<u>—</u>
	<u><b>2,678,423,645</b></u>	<u>2,343,920,492</u>

## 9. GOODWILL

	RMB'000
<b>At 1 January 2020:</b>	
Cost	1,118,617
Accumulated impairment	—
Net carrying amount	<u>1,118,617</u>
Cost at 1 January 2020, net of accumulated impairment	1,118,617
Impairment during the year	<u>(10,680)</u>
Net carrying amount at 31 December 2020 (Audited)	<u><u>1,107,937</u></u>
<b>At 31 December 2020: (Audited)</b>	
Cost	1,118,617
Accumulated impairment	<u>(10,680)</u>
Net carrying amount	<u><u>1,107,937</u></u>
Cost at 1 January 2021, net of accumulated impairment	1,107,937
Impairment during the year	<u>—</u>
Net carrying amount at 31 December 2021 (Unaudited)	<u><u>1,107,937</u></u>
<b>At 31 December 2021: (Unaudited)</b>	
Cost	1,118,617
Accumulated impairment	<u>(10,680)</u>
Net carrying amount	<u><u>1,107,937</u></u>

### Impairment testing of goodwill

Goodwill is allocated to the mobile game publishing CGU, the game development of Wenmai Hudong CGU and the game development of Beijing Softstar CGU for impairment testing. The recoverable amounts of the CGUs have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The growth rate beyond the five-year period had been projected as 3.0%.

The respective recoverable amounts and the carrying values of the CGUs as at 31 December 2021 and 2020 are as follows:

Mobile game publishing CGU:

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Recoverable amount	<b>2,010,000</b>	2,508,127
Carrying value including allocated goodwill	<b>1,019,377</b>	751,043

Game development of Wenmai Hudong CGU:

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Recoverable amount	<b>780,113</b>	779,342
Carrying value including allocated goodwill	<b>719,259</b>	703,099

Game development of Beijing Softstar CGU:

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Recoverable amount	<b>685,039</b>	177,151
Carrying value including allocated goodwill	<b>634,687</b>	198,092

As at 31 December 2020, since the recoverable amount of the game development of Beijing Softstar CGU was less than the carrying value including allocated goodwill, the Group provided a goodwill impairment of RMB10,680,000 in the consolidated statement of profit or loss as other expenses during the year ended 31 December 2020.

The pre-tax discount rates applied to the cash flow projections, the forecasted growth rates and gross margin used to extrapolate cash flow projections and terminal growth rates are follows:

Mobile game publishing CGU:

	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Audited)
Growth rates (during the five-year period)	<b>3%-16%</b>	3%-15%
Gross margin	<b>27%</b>	30%
Pre-tax discount rate	<b>16%</b>	16%
Terminal growth rate	<b>3%</b>	3%

Game development of Wenmai Hudong CGU:

	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Audited)
Growth rates (during the five-year period)	<b>3%-45%</b>	3%-4%
Gross margin	<b>22%-26%</b>	16%
Pre-tax discount rate	<b>22%</b>	22%
Terminal growth rate	<b>3%</b>	3%

Game development of Beijing Softstar CGU:

	<b>2021</b> <b>(Unaudited)</b>	2020 <b>(Audited)</b>
Growth rates (during the five-year period)*	<b>(48%)-107%</b>	3%-4,361%
Gross margin	<b>60%-64%</b>	28%
Pre-tax discount rate	<b>19%</b>	21%
Terminal growth rate	<b>3%</b>	3%

Assumptions were used in the value-in-use calculation of the CGUs for 31 December 2021 and 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

*Revenue growth rate* — The revenue growth rate is based on the average growth achieved in the past years and the expected revenue from newly launched games.

\* The expected growth rates of the game development of Beijing Softstar CGU in the first forecasted year as at 31 December 2021 and 2020 were (48%) and 4,361%, respectively. As at 31 December 2021, considering the fact that Beijing Softstar CGU had a material amount of one-off IP licensing revenue in year 2021, the Group expected a decline in the next year. Revenue in the second to fifth years was expected to increase due to some newly launched mobile games.

*Budgeted gross margins* — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the past years and the expectation for market development.

*Discount rate* — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development and the discount rate are consistent with external information sources.

**10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2021</b> <b>RMB'000</b> <b>(Unaudited)</b>	2020 <b>RMB'000</b> <b>(Audited)</b>
Listed equity investments, at fair value	<b>195,267</b>	220,828
NEEQ quoted equity investments, at fair value	<b>31,220</b>	69,486
Unlisted equity investments, at fair value	<b>1,586,350</b>	1,230,112
Convertible loans, at fair value	<b>84,077</b>	18,886
	<b><u>1,896,914</u></b>	<b><u>1,539,312</u></b>

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

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 RMB65,679,000 (2020: RMB55,874,000) as at 31 December 2021.

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 RMB210,554,000 (2020: RMB224,387,000) as at 31 December 2021.

In February 2020, Guohong Jiaxin (Shenzhen) Angel Venture Capital Enterprise (L.P.) (“Angel Venture”) has been set up after obtaining all the related licences and approval documentation. The fair value of the investment in Angel Venture was RMB188,321,000 (2020: RMB160,671,000) as at 31 December 2021.

The Group holds 26%, 25.65% and 38.08% 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.

As at 31 December 2021, unlisted equity investments included certain investments in a third party investment company amounting to RMB226,639,000. This investment was fully recovered in March 2022.

## 11. TRADE AND BILLS RECEIVABLES

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Trade receivables	1,138,216	954,790
Allowance for impairment	<u>(96,480)</u>	<u>(72,146)</u>
Trade receivables, net	1,041,736	882,644
Bills receivable	<u>10,710</u>	<u>—</u>
	<u><b>1,052,446</b></u>	<u><b>882,644</b></u>

Trade receivables mainly represent amounts receivable from third-party publishing channels. The Group normally allows credit terms of 180 days for established channels and other counterparties and extends credit terms up to 270 days for major channels and other major counterparties. 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:

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Within 6 months	620,678	605,207
6 months to 1 year	262,384	214,856
1 year to 18 months	121,238	49,285
18 months to 2 years	34,839	13,296
Over 2 years	<u>2,597</u>	<u>—</u>
	<u><b>1,041,736</b></u>	<u><b>882,644</b></u>

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

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
At beginning of year	72,146	21,004
Provision for impairment losses, net (note 5)	29,359	52,290
Amount written off as uncollectible	(5,000)	(901)
Exchange realignment	<u>(25)</u>	<u>(247)</u>
At end of year	<u><b>96,480</b></u>	<u><b>72,146</b></u>



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

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

**As at 31 December 2021**

	<b>Amount RMB’000 (Unaudited)</b>	<b>Expected credit loss rate</b>	<b>Impairment RMB’000 (Unaudited)</b>
Default receivables	2,454	100.0%	2,454
Other trade receivables aged:			
Current	634,639	2.2%	13,961
Past due for less than 6 months	277,655	5.5%	15,271
Past due for 6 months to 1 year	139,194	12.9%	17,956
Past due for 1 year to 18 months	55,743	37.5%	20,904
Past due for 18 months to 24 months	8,804	70.5%	6,207
Past due for over 24 months	19,727	100.0%	19,727
	<u>1,138,216</u>		<u>96,480</u>

**As at 31 December 2020**

	<b>Amount RMB’000 (Audited)</b>	<b>Expected credit loss rate</b>	<b>Impairment RMB’000 (Audited)</b>
Default receivables	3,270	100.0%	3,270
Other trade receivables aged:			
Current	620,725	2.5%	15,518
Past due for less than 6 months	229,547	6.4%	14,691
Past due for 6 months to 1 year	60,547	18.6%	11,262
Past due for 1 year to 18 months	32,430	59.0%	19,134
Past due for over 18 months	8,271	100.0%	8,271
	<u>954,790</u>		<u>72,146</u>

## 12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Non-current portion		
Prepayments*	<u>647,973</u>	<u>330,766</u>
Current portion		
Prepayments	508,816	375,258
Deposits and other receivables**	374,709	112,422
Contract costs***	<u>57,344</u>	<u>32,126</u>
	<u>940,869</u>	<u>519,806</u>
	<u><u>1,588,842</u></u>	<u><u>850,572</u></u>

\* Prepayments as at 31 December 2020 included RMB110,000,000 paid for the conditional share purchase of Angel Fund. Since the transaction was terminated by the Company in January and March 2021, the fund of RMB110,000,000 was reclassified to deposits and other receivables as at 31 December 2021.

\*\* Deposits and other receivables as at 31 December 2021 included an investment in a US listed company with a carrying amount of RMB51,379,000. The carrying amount of this investment was assessed using scenario-based model.

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

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

### 13. TRADE PAYABLES

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

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Within 3 months	<b>158,004</b>	105,156
3 to 6 months	<b>133,083</b>	51,958
6 months to 1 year	<b>83,273</b>	53,843
1 year to 2 years	<b>2,586</b>	54,360
2 years to 3 years	<b>1,542</b>	562
Over 3 years	—	2,841
	<hr/>	<hr/>
Total	<b>378,488</b>	268,720
	<hr/> <hr/>	<hr/> <hr/>

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

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

Hong Kong, 31 March 2022

*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.*