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## **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)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of CMGE Technology Group Limited (the “**Company**”, together with its subsidiaries and consolidated operating entities in the People’s Republic of China (the “**PRC**”), the “**Group**”) is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2023.

#### **2023 FINANCIAL HIGHLIGHTS**

	<b>For the year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB’000</b>	<b>RMB’000</b>
<b>Revenue</b>	<b>2,605,884</b>	2,713,892
<b>Gross profit</b>	<b>943,102</b>	1,111,695
Loss for the year	<b>(38,041)</b>	(216,880)
<b>Adjusted net profit/(loss) <sup>(1)</sup></b>	<b>5,379</b>	(196,134)
Basic and diluted loss per Share (RMB)	<b>(0.73) cents</b>	(7.42) cents
<b>Adjusted basic and diluted profit/(loss) per Share (RMB) <sup>(1)</sup></b>	<b>0.20 cents</b>	(7.09) cents

*Note:*

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

2023 witnessed a vibrant entertainment industry where the value of intellectual property(ies) (“IPs”) with high-quality contents continued to be realized. Using IPs to build brands and foster new areas of growth became a popular topic for China’s entertainment business in 2023. The cross-sector empowerment and traffic-gathering effect produced by “IP+” has been guiding pan-entertainment ecosystem, and the development trend of IP business has increasingly inclined towards diversity, innovation, integrity and digitalization. In addition, increasing IP value through cross-sector development, films and television, gamification has become an important part among the current major trends in the market. Meanwhile, 2023 was another challenging year in which the overall gaming market still recorded a relatively low year-on-year growth. Despite the improvement in adverse factors including a generally low payment willingness by game users compared with that of 2022, it remained in need of time for rebound. Leveraging its advantages and accumulated experience in the field of game publishing and research and development, and by integrating its own advantageous IP resources, the Group has been dedicated to the core competitive IP game ecosystem of “IP resources – self-development and joint development – global publishing – proprietary IP operation – Chinese-style metaverse platform (IP資源–自主研發與聯合研發–全球發行–自有IP運營–國風元宇宙平台)”, and has been consistently working on three major business segments, namely IP game development and global publishing, proprietary IP operation and Chinese-style metaverse platform, focusing on creating premium IP games and spreading excellent Chinese culture with quality contents.

Serving as a substantial part of the IP game ecosystem which the Group has been building for many years, self-development of games will be the core competitiveness which the Group will continue to invest in for the future. In 2023, the Group showed great cohesion and determination by fully dedicating itself to game development, for which the research and development investment of the Group reached RMB370.0 million in 2023. The application of innovative artificial intelligence generated content (“AIGC”) technology on game development in 2023 has practically reduced cost and improved efficiency. The self-developed dynasty-themed strategic game *World of Castellan* (城主天下) 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 Group, was officially launched and exclusively published by 37 Interactive Entertainment (三七互娛) in the mainland market in the second half of 2023. Meanwhile, *Legend of Sword and Fairy: World* (仙劍世界), China’s first open world game featuring Chinese fairy and hero theme self-developed by the Group’s Mantianxing Studio (滿天星工作室) (“**Mantianxing**”), has undergone two tests prior to its launch with excellent testing data and performance, and is planned to launch in 2024. The self-developed competitive eSports PC game *Street Basketball* (全民街籃) of Shanghai Zhoujing Network Technology Co., Ltd. (上海洲競網絡科技有限公司) (“**Shanghai Zhoujing**”), a subsidiary of the Group, has commenced beta test on 29 December 2023 and is planned to launch in 2024.

In 2023, the Group successfully obtained licenses for various games planned for launch. Various new games including *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), *Ultraman: The Gathering* (奧特曼:集結), *Swallowed Star: Dawn* (吞噬星空:黎明) and *Cultivation Fantasy* (我的御劍日記) were officially launched in 2023. *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) recorded a robust performance upon its launch and ranked first in the Top Free Game List on Apple's App Store in Mainland China and Hong Kong, Macau and Taiwan, ranked first in the Best Selling Game List on Apple's App Store in Hong Kong and Macau and ranked third in the Best Selling Game List on Apple's App Store in Taiwan in the first month after its launch. *Cultivation Fantasy* (我的御劍日記) ranked third in the Top Free Game List on Apple's App Store in Mainland China during the first month of its launch. The Group is actively exploring into the mini-game segment. In 2023, the mini-game business has contributed a revenue of over RMB600 million to the Group and become a new area of growth. Benefitting from the launch of numerous new games, the number of new registered users of the Group exceeded 92.9 million in 2023, which grew by 9.8% compared to the same period last year. After eliminating the effect of the non-operating income and expenses on profit, the Group's operating profit for year 2023 amounted to RMB107.4 million.

In midst of an intensely competitive market, unique and high-quality content is the key to IP success and *Legend of Sword and Fairy* (仙劍奇俠傳) owned by the Group is such a unique cultural IP with a long-term user cohesion. The Group will utilize the established advantages and promote steady cooperation between *Legend of Sword and Fairy* (仙劍奇俠傳) IP and other sectors with a view to share resources and supplement the advantages of each other, thus increasing the realizable value of *Legend of Sword and Fairy* (仙劍奇俠傳) IP. With its three major business segments, namely IP game development and global publishing, proprietary IP operation and Chinese-style metaverse platform as the focus, the Group will insist on high quality and refining development as always, and continue to bring rich content and interactive experience of premium IP games and its proprietary "*Legend of Sword and Fairy* (仙劍奇俠傳)" IP game to global players.

## **BUSINESS REVIEW**

### **Global Publishing of IP Games**

A role playing card game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) jointly published by the Group and Qingci Joy (青瓷互動) and based on *Legend of Sword and Fairy* (仙劍奇俠傳), the Group's proprietary IP, was launched in June 2023. With the features of the unique card + RPG + SLG diversified gameplay integration, it has gained strong pursuit from the majority of players. Before the game was launched, the number of reservations on all major platforms exceeded 8 million, and it ranked first in the Top Free Game List and ranked fourteenth in the Best Selling Game List on Apple's App Store in the first month after its launch, receiving Mobile Hardcore Alliance's Super Star Recommendation. *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) was launched in Hong Kong, Macau and Taiwan in

December 2023 and ranked first in the Top Free Games List on Apple’s App Store in the aforesaid three areas, ranked first in the Best Selling Game List on Apple’s App Store in Hong Kong and Macau and ranked third in the Best Selling Game List on Apple’s App Store in Taiwan during the first month of its launch. The mobile card game *Cultivation Fantasy* (我的御劍日記), which was developed by Love Games (Shanghai) Internet Technology Co., Ltd. (樂府互娛(上海)網絡科技有限公司) (“**Love Games**”), a company in which the Group has invested, has been launched in May 2023. It ranked first in the TapTap’s Popular List, third in the Top Free Game List and twenty-first in the Best Selling Game List on Apple’s App Store during the first month of its launch. Mobile game *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院), adapted from the novel and animation of *Soul Land* (斗羅大陸) and published jointly by the Group and Tanwan.com (貪玩遊戲), obtained licence in July 2023 and opened for reservation in August 2023 with the number of reservations exceeding 6 million, and was successfully launched for players on 31 January 2024, which ranked first in the Top Free Game List of Apple’s App Store during the first month of its launch and first in the TapTap’s Popular List. The Group is actively exploring into the mini-game segment. As of 2023, it has launched a number of mini-games, such as *Legend of Nine Territories* (九州仙劍傳) and *The National Gunlord – The Frontier* (全民槍神:邊境王者), contributing a revenue of over RMB600 million to the Group. The mini-game *Country Love: Business Life* (鄉村愛情之經營人生), which obtained license from BenShan Media, has also commenced beta test in 2023 to verify its monetization model and is planned to launch in 2024. The mini-game business has become a new area of business growth for the Group. The mobile game *Ultraman: The Gathering* (奧特曼:集結), which was adapted from the official licenced IP of the original Ultraman series produced and licenced by Tsuburaya Productions Co., Ltd. (日本圓谷制作株式會社) in Japan, was researched and developed by Hainan Hemera Information Technology Co., Ltd. (海南赫墨拉信息科技有限公司) (“**Hainan Hemera**”), a company in which the Group has invested, and the mobile game *Swallowed Star: Dawn* (吞噬星空:黎明), which was researched and developed by the Group’s investee company Guangzhou Maiji Information Technology Co., Ltd. (廣州麥吉信息科技有限公司) with China Literature Limited’s (閱文集團) *Swallowed Star* (吞噬星空) IP as the basis, both have been launched in Mainland China in January and April 2023, respectively. Unfortunately, the market reaction of the two games was fair upon its publishment and good revenue performance could not be achieved. *The King of Fighters: All Stars* (全明星激鬥), a mobile game self-developed and published by the Group, was launched in Hong Kong, Macau, Taiwan, Singapore and Malaysia in February 2023, and ranked first in the Top Free Games List and fifth in the Best Selling Games Lists on Apple’s App Store and ranked first in the Top Free Games List of Google Play Store of the above-mentioned five countries and regions in the first month of its launch. However, due to unsustainable momentum, the game did not continuously bring in large overseas revenue for the Group.

*The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心), *Rakshasa Street: Chosen One* (鎮魂街:天生為王) and *Soul Land: God of Battle Arise* (斗羅大陸:鬥神再臨) which were published by the Group, and games

jointly produced by the Group with third parties like *One Piece: The Voyage* (航海王熱血航線) and *Dynasty Warriors: Hegemony* (真·三國無雙霸), and other games which were previously launched and operated, continued to contribute to the revenue and profits of the Group in 2023. However, *Swallowed Star: Dawn* (吞噬星空:黎明), *Ultraman: The Gathering* (奧特曼:集結) and *The King of Fighters: All Stars* (全明星激鬥) did not record revenue as expected after launch and the revenue of some operating games showed different extent of declining tendency. In addition, the new game *Soul Land: Shrek Academy* (斗羅大陸:史萊克學院), originally intended for launch in 2023, was postponed to January 2024 due to a delay for testing following its licence being obtained in the second half of 2023. The release time of *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) was postponed to December 2023 in Hong Kong, Macau and Taiwan, which shortened the time for generating revenue by the game during the reporting period. Factors mentioned above resulted in a year-on-year decrease of 4% in business revenue of the Group in 2023, which amounted to RMB2,605.9 million in 2023.

### **Self-Development of Games**

The Group's research and development investment reached RMB370.3 million in 2023, representing a decrease of 29.7% compared to the same period, which was mainly due to the application of AIGC technology on art creation and marketing content writing of the game which has practically reduced cost and improved efficiency.

The dynasty-themed strategic mobile game *World of Castellan* (城主天下), self-developed by Wenmai Hudong and exclusively published by 37 Interactive Entertainment (三七互娛) in the mainland market, was launched in the market in November 2023 and received Mobile Hardcore Alliance's Super Star Recommendation during the first month of its launch. *World of Castellan* (城主天下) is the first dynasty-themed strategy game launched by the Group. With the extensive experience in promotion and publishing of the Group and 37 Interactive Entertainment (三七互娛), it is expected to tap into dynasty-themed strategic market by virtue of *World of Castellan* (城主天下) and obtain market share for the Group.

For games on eSports front, the PC-end eSports competitive game *Street Basketball* (全民街籃) developed by Shanghai Zhoujing, has obtained licence in May 2023, commenced beta test on 29 December 2023 and is planned to launch in 2024. *Street Basketball* (全民街籃) was 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 the research and development team is committed to turning *Street Basketball* (全民街籃) into a PC-end eSports quality game.



Games of the Group which have been launched before 2023, including the self-developed games *The World of Legend - Thunder Empire* (《傳奇世界之雷霆霸業》), *Legend of Dragon City* (《龍城傳奇》) and card and board games, as well as PC game and cloud game, have continued to iterate and upgrade that continuously contributes stable revenue to the Group. As of 31 December 2023, Beijing Softstar Technology Co., Ltd. (軟星科技(北京)有限公司) (“**Beijing Softstar**”) has launched a self-developed game *Legend of Sword and Fairy 7* (仙劍奇俠傳七) with PC version reached a sales volume of over 730,000; its cloud gaming version reached a sales volume of over 210,000, and its console version reached a sales volume of over 100,000. It also launched self-developed PC games *Monopoly 10* (大富翁10) and *Monopoly 11* (大富翁11) with a global sales volume of over 2,100,000. The standalone game *Legend of Sword and Fairy 4: Remake* (仙劍奇俠傳四:重製版) kick-started in 2022 by Softstar Technology (Shanghai) Co., Ltd. (軟星科技(上海)有限公司) (“**Shanghai Softstar**”), a wholly-owned subsidiary of the Group, would continue to be under research and development under a licence granted to the game operation and distribution platform “Cube Game” under WanXin Culture Technology Co., Ltd..

### **Proprietary IP Operation**

In 2023, revenue derived from the Group’s IP licensing amounted to RMB257.0 million, representing an increase of 74.7% year-on-year. The Group established a strong presence for the cooperation of the *Legend of Sword and Fairy* (仙劍奇俠傳) IP throughout the industry chain, covering games, films and television, comics and animation, content literature, music, derivatives and real scene entertainment, and collaborated with top partners in related fields to jointly build the *Legend of Sword and Fairy* (仙劍) IP universe. In 2023, the Group was recognized as “2023 Super Potential IP Cultivation Pioneer” (2023年超級潛力IP培育先鋒) by the Securities Times.

The Group successfully launched the story mobile card game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) in 2023 with excellent performance recording. The idle game *Legend of Sword and Fairy: A New Beginning* (仙劍奇俠傳:新的開始) which was co-developed by the Group and Kingnet (愷英網絡), was launched in 2023 and gained a ranking of No.5 in the Best Selling list of Wechat Mini Program. The first fans community based on the *Legend of Sword and Fairy* (仙劍奇俠傳) IP, the *Sword and Fairy Alliance* (仙劍聯盟), has been opened for users registration in 2023.

In terms of films and television, the shooting of films and television series, *Legend of Sword and Fairy 4* (仙劍奇俠傳四), which was co-produced by the Group and iQiyi (愛奇藝), was officially broadcasted on iQiyi (愛奇藝) in January 2024. Meanwhile, *Legend of Sword and Fairy 6* (仙劍奇俠傳六) by Shandong Film and Television Production Co., Ltd. (山東影視製作股份有限公司) (“**Shandong Film and Television**”), the producer of popular television dramas such as *Nirvana in Fire* (琅琊榜) and *The Disguiser* (偽裝者), was officially broadcasted on Tencent Video in January 2024. These two films and television series of *Legend of Sword and Fairy* (仙劍) IP were successively broadcasted during the Chinese New Year and have captured great attention from the audience. The films and television series of *Legend of Sword and Fairy 1* (仙劍奇俠傳一), which were jointly produced by the Group and Tencent’s Penguin Pictures (企鵝影視), have completed shooting in 2022, and are expected to be released in 2024. In November 2023, the production of the interactive video works based on the *Legend of Sword and Fairy* (仙劍奇俠傳) IP initiated by the Group together with Dongyang Qishuyouyu Culture Media Co., Ltd.(東陽奇樹有魚文化傳媒有限公司), Guangzhou HippoJoy Game Technology Co., Ltd.(廣州河馬遊戲科技有限公司) and Guangzhou INTINY Content Interactive Entertainment Co., Ltd. (廣州小有內容互動娛樂有限公司) was officially kick-started.

For the development of *Legend of Sword and Fairy* (仙劍) IP in animation, the Group has strategically cooperated with Tencent’s Penguin Pictures (企鵝影視) to jointly 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). The trailer of the animation series of *Legend of Sword and Fairy 3* (仙劍奇俠傳三) was released in 2023. The animated feature film is scheduled for release in 2024.

For the derivatives development of *Legend of Sword and Fairy* (仙劍) IP, upon jointly launching the first blind boxes series The Legend of Sword and Fairy Chinese Traditional Festival Figures Series (仙劍奇俠傳中國傳統節日系列手辦) in 2022, the Group continued its collaboration with Pop Mart (泡泡瑪特) and launched the second blind boxes series The Legend of Sword and Fairy Chinese Traditional Musical Instrument Figures Series (仙劍奇俠傳中國傳統樂器系列手辦) in 2023 for global sale. Meanwhile, the Group collaborated with Good Smile Arts (良笑塑美), the Infinity Studio (開天工作室) under Shanghai Qiku Network Technology Co., Ltd. (上海起酷網絡科技有限公司), Bandai Namco Entertainment (Shanghai) Co., Ltd. (萬代南夢宮(上海)娛樂有限公司) and other well-known partners to jointly launch products in 2023, including figure of Han Ling Sha (韓菱紗), statues of Yue Qing Shu (月清疏), figure of Jiu Jian Xian (酒劍仙), which gained support from consumers.

In July 2023, the Group successfully held the 28<sup>th</sup> Anniversary of Legend of Sword and Fairy (仙劍奇俠傳) through Bilibili livestreaming, delivering extensive visual and audio experiences to players. The *Legend of Sword and Fairy* (仙劍) Real Scene Entertainment Project promoted by the Group has already been in the final preparatory stage before operation, and is expected to start trial operation in four provinces and municipalities, such as Shanghai, Hangzhou, Anhui and Chongqing, in 2024. By then, it will present a more immersive and interactive offline experience for The Legend of Sword and Fairy fans.

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

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

*Legend of Sword and Fairy: World* (仙劍世界), a self-developed game of the Group's Mantianxing Studio (滿天星工作室), which is also a China's first open world game featuring Chinese fairy and hero theme, has been under research and development for more than three years and obtained licensing in June 2023. *Legend of Sword and Fairy: World* (仙劍世界) is currently open for launch reservation with over 4,000,000 subscriptions and two tests have taken place in 2023. Beta test to verify its monetization capacity will commence before launch, and is planned to officially launch in 2024.

*Legend of Sword and Fairy* (仙劍) IP carries abundant and diversified Chinese culture and Chinese-style elements, spans thousands of years in time, geographically includes regions such as Dali, Miaojiang, Suzhou and Hangzhou and Yuzhou and covers rich contents such as historic legends, traditional culture and local customs and practices. In *Legend of Sword and Fairy: World* (仙劍世界), the spirit of *Legend of Sword and Fairy* (仙劍) IP is at the core of its creation, which gives rise to a grand fantastic world featuring fairy and hero theme with an area of 384 square kilometers and various ecological landforms such as plain, mountains and hills, basin and grove, and scenes of fairy and hero elements including celestial mountains, floating islands, oversea fairy islands and fairy relics have been constructed, which contribute to a grand fantastic world of fairy and hero where players can experience a co-existing ecosystem of humans, fairies and elves. Through the course of experiencing numerous stories such as main storylines, characters-exclusive stories and optional tasks and stories, players are invited to collectively probe into humanity spirits including fate, bond and tie, decision and emotion. As for free exploration, players are allowed to fly and dive into different dimensions of the world, using various fancy skills including transformation and spirit attachment, as well as experience the surprise and joy of free exploration in midst of tones of adventures, mechanisms, puzzles and relics.



Based on technological innovation and the application of AIGC, the virtual world shaped in *Legend of Sword and Fairy: World* (仙劍世界) will provide players with an intense immersion and a heightened sense of verisimilitude. In terms of technological application, the Group has comprehensively enhanced the environment verisimilitude and the immersive feeling in the virtual world by application of various technologies. The day-night cycle shift has been realized by introducing the 24-hour real-time lighting. The real effect of water flow has been achieved through simulating real water reflection and water perspective. The vegetation can sway as the weather changes under the application of high-density grass ocean technology. AI non-player characters (“NPC”) in *Legend of Sword and Fairy: World* (仙劍世界) will correspondingly behave and talk according to natural environment so as to form a natural and real social ecosystem and strengthen the verisimilitude of the virtual world. Players can also use AI technology applications including AI character customization, AI audio, AI movement generation and AI+UGC, in order to enrich their personalized expression. Vigorous performance, abundant 3D digital assets and contents, free talking experience, lightweight UGC creation, will considerably enrich and increase players’ interactive experience and stimulate their creativity in the virtual world.

*Legend of Sword and Fairy: World* (仙劍世界) will accommodate multiple terminals to better reach targets from different ends. It is currently available for mobile, PC and cloud and will later launch VR/MR and console versions. *Legend of Sword and Fairy: World* (仙劍世界) will materialize the connection between accounts on different platforms so that players can visit the same world regardless of their connecting device, significantly expanding players’ social radius.

*Legend of Sword and Fairy: World* (仙劍世界) leveraging its excellent design and compelling worldview, showcases the rich ancestry of the Chinese culture within the game. It has been awarded as “2024 The Most Promising Game (2024年度最值得期待遊戲)” by the Golden Plume Award (金翎獎), the Golden Gyro Awards (金陀螺獎), the Game Appreciation Awards (金口獎), the Golden Tea Awards (金茶獎), OPPO Developers Conference and MI GAME and won the “Top 10 IP for Decade (十年十佳IP項目)” title by the Golden Pufferfish Award (金河豚獎) in 2023.

## Social Responsibility

As a global IP game operator, the Group has always fulfilled its social responsibility in different dimensions. The Group's business does not have a significant impact on the environment. The Group has actively fulfilled its corporate social responsibilities, has integrated environmental protection and environmental management into its business decisions, and has conducted charitable activities to build a healthy and harmonious online and offline ecosystem. 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 protection awareness of the employees of the Group.

The Group has been also actively involved in the cause of social welfare development, with a particular focus on the healthy learning and growth of youth. The Group has successively collaborated with China Population Welfare Foundation (中國人口福利基金會) and Lingshan Foundation (靈山基金會), 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 and the operation of this project has been under steady implementation. From 2017 to 2023, twelve “CMGE Dream Libraries (中手游築夢圖書館)” have been successively set up in Yunan, Guangdong province, Zhengding, Hebei province, Meihekou, Jilin province, Yangchun, Guangdong province, Jishan, Shanxi province, Luxi, Jiangxi province, Huoqiu, Anhui province, Enshi, Hubei province, Jiyuan, Henan province, Heyuan, Guangdong province, Jizhou, Tianjin province, Ji'an, Jiangxi province. The eleventh “CMGE Dream Library (中手游築夢圖書館)” was set up at Banbidian Central Primary School (半壁店中心小學), Yangjinzhuang Town, Jizhou District, Tianjin in March 2023. The twelfth “CMGE Dream Library (中手游築夢圖書館)” was set up at Dongmen Primary School (東門小學), Meitang Town, Ji'an County, Ji'an, Jiangxi Province in September 2023. The Group was recognized as the “2023 Times Philanthropy Pioneer Award (2023年度時代公益先鋒獎)” by Guangdong Times Media Group (廣東時代傳媒集團) by virtue of the public welfare project “CMGE Dream Libraries (中手游築夢圖書館)” in which the Group has had long-term commitment, and was also recognized as an “Outstanding Social Responsibility Performance Enterprise (社會責任表現相對突出的企業)” at the 2023 Game Responsibility Forum (2023遊戲責任論壇) hosted by People's Daily Online (人民網).

The Group is dedicated to practicing its social responsibility through diversified forms, including actively promoting industry self-discipline, purifying the cyber environment and ensuring the healthy growth of minors. The Company has successively participated in the research and preparation of four standards of “Online game terminology (網絡遊戲術語)” group standard, “Game Age Prompt Specification (遊戲適齡提示規範)”, “Game Enterprise Content Self-Audit Process Specification (遊戲企業內容自審流程規範)” and “Parental Monitoring Platform Specification (家長監護平台規範)” so as to contribute to the promotion and implementation of the industry standardization, and also strictly follows the relevant national policies, and all published games are embedded with a real-name authentication system, an anti-addiction system and age limit reminders, striving to ensure the healthy growth of minors. During 2023, minor players under the age of 18 accounted for less than 0.01% of the Group's revenue from games in China.

## BUSINESS OUTLOOK

The Group plans to launch a number of premium IP games in domestic and overseas markets in 2024, and continuously puts great efforts into its self-developed projects to achieve business growth in 2024. Through AI and other technologies, the speed, efficiency and productivity of the Group will be increased and costs will be reduced. The upcoming cross-platform game *Legend of Sword and Fairy: World* (仙劍世界) and PC game *Street Basketball* (全民街籃), and dynasty-themed strategic mobile game *World of Castellan* (城主天下) launched in 2023, will become three major projects in respect of the Group's self-developed games in 2024. At the same time, the Group will sedulously operate to amplify the IP value of *Legend of Sword and Fairy* (仙劍奇俠傳) through making films and television production, animation and gamification.

### Global Publishing of IP Games

In the mainland market, the mobile game *Soul Land: Shrek Academy* (斗羅大陸：史萊克學院), adapted from the novel and animation of *Soul Land* (斗羅大陸) and published jointly by the Group and Tanwan.com (貪玩遊戲) on 31 January 2024, recorded gross billing of over RMB100 million in the first month of its launch. Since the launch, its sound commercial performance is expected to increase profits for the Group, showing the great popularity of this IP and the consumption potential of users. The *Soul Land: Space and Time Reversal* (斗羅大陸：逆轉時空), which is developed by Love Games, a developer which the Group has invested in, was open for reservation in February 2024 and is going to be officially launched in the first half of 2024.

*Fights Break Firmament: Peak Confrontation* (斗破蒼穹：巔峰對決), which is developed by Shenzhen EZfun Interactive Technology Co., Ltd. (“**EZfun Interactive**”), a game developer which the Group has invested in, has completed testing. Since internal test data signified excellent performance, it opened for reservation in January 2024 ahead of schedule and is expected to be officially launched in the first half of 2024. Meanwhile, many premium IP games such as *NARUTO: Konoha masters* (火影忍者：木葉高手), *New Romance of the Three Kingdoms: The Legend of Cao Cao* (新三國志曹操傳), *Daily Life of Chat Group* (聊天群的日常生活), are set to be released in 2024. The mini-game *Country Love: Business Life* (鄉村愛情之經營人生), supported by the IP of the popular TV series *Country Love* (鄉村愛情故事), which obtained license from BenShan Media, has started beta testing in 2023 and will be officially launch in 2024. Meanwhile, the Group will launch more than 10 mini-game products including *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) and *NARUTO: Konoha masters* (火影忍者：木葉高手) in 2024. The games abovementioned that are planned to launch in 2024 have obtained licenses, to generate substantial returns from game publishment for the Group.

The Group will vigorously tap into overseas game markets, focusing on Hong Kong, Macau and Taiwan, Southeast Asia, Japan, South Korea, Europe and the United States to continuously scale up the game revenue from overseas regions. In 2024, the Group will continue to vigorously promote mobile game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) in Hong Kong, Macau and Taiwan, and plans to launch games such as *Soul Land: Shrek Academy* (斗羅大陸：史萊克學院), *Fights Break Firmament: Peak Confrontation* (斗破蒼穹：巔峰對決), *Soul Land: Space and Time Reversal* (斗羅大陸：逆轉時空) and *Code: FA* (代號FA) in Hong Kong, Macau and Taiwan, mobile game *Dynasty Warriors: Hegemony* (真·三國無雙霸) in Japan, in order to increase game revenue from overseas.

### **Self-Development of Games**

The dynasty-themed strategic mobile game *World of Castellan* (城主天下), self-developed by Wenmai Hudong, and exclusively published by 37 Interactive Entertainment (三七互娛) in the mainland market, has been launched in the market in November 2023. It is the first dynasty-themed strategic game launched by the Group, and leveraging on its research and development and publishment experience, the Group planned to develop and roll out a second game of similar type, *Code: Master* (代號：主公) in 2024, to gain more market share of this type of game. The PC-end eSports competitive game, *Street Basketball* (全民街籃), developed by Shanghai Zhoujing, has successfully obtained licence in May 2023 and commenced beta test on 29 December 2023, and will officially launch in 2024.

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

To practically and comprehensively reduce costs and increase efficiency in game research and development, innovative AIGC technology has been applied in the art creation and marketing content writing of the game. According to the statistics from *Sword and Fairy: World* (仙劍世界), after the introduction of AIGC-aided design, production cost of the game's CG printing has effectively decreased by about 50% than before. In the meantime, AIGC technologies were generally used by the research and development team to shape NPCs in games, and an event-oriented AI decision-making framework that can quickly generate NPC behavior has also been designed. The aforementioned technical innovations have successfully achieved reduced cost and increased efficiency during the development of *Sword and Fairy: World* (仙劍世界), which provided significant help to effectively ensure the development and testing progress of the game. The Group will keep exploring AIGC aided capacity on game development, including 3D action generation, 3D model generation, scenario generation, voice generation and so on. The team hopes that AIGC technological innovation will significantly enhance the research and development capacity in the future, and leading to cost reduction and increased efficiency for the Group.

*Sword and Fairy: World* (仙劍世界) will soon commence player-oriented beta test to verify the product monetization model upon official launch, showcasing Jiangnan storyline. At present, over 4 million users have reserved this game for downloading, with high market enthusiasm from both new and existing players. This will be the most excellent gasoline for data growth upon its release!

### **Proprietary IP Operation**

In terms of the films and television series, *Legend of Sword and Fairy 4* (仙劍奇俠傳四), which was co-produced by the Group and iQiyi (愛奇藝) in January 2024, was officially released in iQiyi (愛奇藝). Shandong Film and Television, the producer of hit television dramas such as *Nirvana in Fire* (琅琊榜) and *The Disguiser* (偽裝者), shoot *Legend of Sword and Fairy 6* (仙劍奇俠傳六), which officially broadcasted on Tencent Video in January 2024. Two of the films and television series of *Legend of Sword and Fairy* (仙劍) IP were successively broadcasted during Chinese New Year and have captured great attention from the audience. The films and television series of *Legend of Sword and Fairy 1* (仙劍奇俠傳一), which were jointly produced by the Group and Tencent's Penguin Pictures (企鵝影視), were completed in 2022 and are expected to be released in 2024. Tencent's Penguin Pictures (企鵝影視) will further cooperate with the Group to produce *Legend of Sword and Fairy 3* (仙劍奇俠傳三). The Group will also initiate cooperation plans for a number of *Legend of Sword and Fairy* (仙劍) IP films and television series, including *Prequel of Legend of Sword and Fairy 5* (仙劍奇俠傳五前傳), *Legend of Sword and Fairy 7* (仙劍奇俠傳七) and the original play called *Prequel of Legend of Sword and Fairy 6* (仙劍六前傳).

The Group has cooperated with Tencent's Penguin Pictures (企鵝影視) to jointly 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). The trailer of the animation series of *Legend of Sword and Fairy 3* (仙劍奇俠傳三) launched in 2023 and the formal animation is expected to be broadcasted in 2024. The Group has entered into cooperation with Bilibili, and Bilibili is responsible for the animation work of *Legend of Sword and Fairy 4* (仙劍奇俠傳四), which will officially start in 2024.

The serial literary works of *Legend of Sword and Fairy 2* (仙劍奇俠傳二), *Legend of Sword and Fairy 1* (仙劍奇俠傳一), *Legend of Sword and Fairy 5* (仙劍奇俠傳五), *Prequel of Legend of Sword and Fairy 5* (仙劍奇俠傳五前傳), *Legend of Sword and Fairy 3* (仙劍奇俠傳三), *Legend of Sword and Fairy 3 Side Story* (仙劍奇俠傳三外傳) and *Legend of Sword and Fairy 6* (仙劍奇俠傳六), adapted from *Legend of Sword and Fairy* (仙劍奇俠傳), and two official original derivative works *Yao Tai Xue* (瑤台雪) and *Qiong Hua Hou Zhuan* (瓊華後傳), all of which are in creation stages, will also be released successively in 2024 and 2025.



The Legend of Sword and Fairy (仙劍) Real Scene Entertainment Project, promoted by the Group has already been in the final preparatory stage before operation, and is expected to start trial operation in four provinces and municipalities, such as Shanghai, Hangzhou, Anhui and Chongqing, in 2024. By bringing the game the *Legend of Sword and Fairy* (仙劍奇俠傳) into reality, the Group will achieve a close integration of online event marketing activities and offline activities related to the *Legend of Sword and Fairy* (仙劍奇俠傳)”, presenting a more immersive and interactive interesting offline experience for The Legend of Sword and Fairy fans.

Looking to the future, under the general trend of crossover development and amplifying IP value by making films and games as well as engaging in crossover cooperation of game IPs, films and television, comics and animation, the Group’s plan of combining IP game ecosystem with a first-mover advantage and *Legend of Sword* (仙劍) IP universe established based on *Legend of Sword and Fairy* (仙劍奇俠傳) IP is further magnifying its own value. This will make greater contributions to the national cultural and entertainment industry and show the glamour of Chinese culture to the world.

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, 27 March 2024

## Management Discussion and Analysis

As of 31 December 2023, the Group had a vast IP reserve of a total of 128 IPs, comprising 60 licenced IPs and 68 proprietary IPs.

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:

	<b>For the year ended 31 December</b>	
	<b>2023</b>	2022
	<b>Revenue</b>	Revenue
	<b>RMB'000</b>	RMB'000
IP-based games		
(i) licenced and proprietary IPs held by the Group	<b>1,631,293</b>	1,388,064
(ii) IPs held by game developers	<b>68,903</b>	288,269
Non-IP based games	<b>905,688</b>	1,037,559
<b>Total</b>	<b><u>2,605,884</u></b>	<b><u>2,713,892</u></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 licenced IPs from third parties and adapted them into premium IP-based games for users. For the year ended 31 December 2023, the Group's total number of IP games in operation reached 26 and revenue generated from the Group's IP games reached RMB1,700.1 million.

***A continuous growth in the number of registered users in 2023.***

The following table sets forth the key performance indicators, namely, (i) average MAUs; (ii) average MPUs; (iii) 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>2023</b>	2022
Average MAUs ( <i>thousands</i> )	<b>17,057</b>	15,523
Average MPUs ( <i>thousands</i> )	<b>1,189</b>	1,124
ARPPU ( <i>RMB</i> )	<b>182.6</b>	201.2
Total new registered users ( <i>thousands</i> )	<b>92,870</b>	84,609

The Group strives to continuously improve its operating ability, extend the life cycle of products during the stable operation period, and expand the ability of existing products to attract users. The Group released several types of mini games, including *Legend of Nine Territories* (九州仙劍傳) and *The National Gunlord – The Frontier* (全民槍神:邊境王者), which have greatly expanded the number of lite-game players and elevated the scale of new users and active users. Meanwhile, the Group has been continuously launching new games that are popular among players in the market. The Group had approximately 92.9 million newly registered users in 2023, and as of 31 December 2023, the accumulated registered users of the Group reached 704.4 million.

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

<b>Award/Recognition</b>	<b>Date of Award</b>	<b>Awarding Institution/Authority</b>
Social Responsibility of “Golden Diamond Award” 2023 (金鑽榜2023社會責任獎)	January 2024	The Department of Culture and Tourism of Guangdong Province (廣東省文化和旅遊廳), Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會)
Top 20 Guangdong Game Enterprises of “Golden Diamond Award” 2023 (金鑽榜2023年度廣東遊戲企業20強)	January 2024	The Department of Culture and Tourism of Guangdong Province (廣東省文化和旅遊廳), Guangdong Entertainment & Game Industry Association (廣東省遊戲產業協會)
“Golden Plume Award” as Most influential Mobile Game Publisher (金翎獎最具影響力移動遊戲發行商)	November 2023	Shanghai Hanwei Xinheng Exhibition Co., Ltd (上海漢威信恒展覽有限公司)
2023-2024 National Key Enterprises of Cultural Exports (2023-2024年度國家文化出口重點企業)	August 2023	Ministry of Commerce of The People’s Republic of China (商務部)
Shenzhen Top 500 Enterprises 2023 (2023深圳企業500強)	September 2023	Enterprise Association of Shenzhen (深圳市企業聯合會), Entrepreneur Association of Shenzhen (深圳市企業家協會)
“Golden Finger Award” as Outstanding Enterprise in the Chinese Game Industry 2023 (2023年度金手指獎中國遊戲行業優秀企業)	November 2023	The 19th Chinese Game Industry Annual Conference 2023 (《2023 (第十九屆)中國遊戲行業年會》) of China Culture and Entertainment Industry Association (中國文化娛樂行業協會)
2023 Super Potential IP Incubating Pioneers (2023年超級潛力IP培育先鋒獎)	December 2023	Securities Times (證券時報)
2022-2023 Outstanding Games Enterprise for Performance of the Social Responsibility of China’s Games Enterprises of the Year (2022-2023年度中國遊戲企業社會責任綜合表現較為突出遊戲企業)	July 2023	People’s Daily Online (人民網), Beijing Xicheng District Municipal Government (北京市西城區人民政府)
Most Socially Responsible Company of Chinese Listed Companies with Good Reputation 2023 (2023中國上市公司口碑榜最具社會責任上市公司)	November 2023	12th Summit Forum for Chinese Listed Companies 2023, National Business Daily 每日經濟新聞, 2023第十二屆中國上市公司高峰論壇
Most Socially Responsible Companies (最具社會責任企業)	July 2023	Shenzhen Futian General Chamber of Commerce (深圳市福田區總商會)
2023 Most Influential Game Enterprise (2023年度最具影響力遊戲企業)	January 2024	GameMatrix (遊戲矩陣), GameTHK (遊戲智庫), GameRes (遊資網)
2023 Listed Company with the Highest Investment Value (2023年度最具投資價值上市公司)	January 2024	Capital Week (證券市場周刊)

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The following table sets forth the comparative figures for the years ended 31 December 2022 and 2023:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Revenue</b>	<b>2,605,884</b>	2,713,892
Cost of sales	<u>(1,662,782)</u>	<u>(1,602,197)</u>
<b>Gross Profit</b>	<b>943,102</b>	1,111,695
Other income and gains, net	<b>117,426</b>	63,877
Selling and distribution expenses	<b>(306,494)</b>	(237,981)
Administrative expenses	<b>(525,956)</b>	(730,695)
Impairment of financial and contract assets, net	<b>(89,936)</b>	(137,033)
Other expenses	<b>(147,778)</b>	(193,368)
Finance costs	<b>(19,638)</b>	(35,280)
Share of losses of a joint venture	—	(8)
Share of profits and losses of associates	<u><b>3,545</b></u>	<u>(16,680)</u>
<b>Loss before tax</b>	<b>(25,729)</b>	(175,473)
Income tax expense	<u><b>(12,312)</b></u>	<u>(41,407)</u>
<b>Loss for the year</b>	<u><b>(38,041)</b></u>	<u>(216,880)</u>
Attributable to:		
Owners of the parent	<b>(20,079)</b>	(205,035)
Non-controlling interests	<u><b>(17,962)</b></u>	<u>(11,845)</u>
	<u><b>(38,041)</b></u>	<u>(216,880)</u>
<b>Adjusted net profit/(loss)</b>	<u><b>5,379</b></u>	<u>(196,134)</u>



## Adjusted net profit/(loss)

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

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
<b>Loss for the year attributable to owners of the parent</b>	<b>(20,079)</b>	<b>(205,035)</b>
Add:		
Equity-settled share-based expense	<u>25,458</u>	<u>8,901</u>
<b>Adjusted net profit/(loss)</b>	<b><u>5,379</u></b>	<b><u>(196,134)</u></b>

## Revenue

The Group's revenue decreased by approximately 4.0% from RMB2,713.9 million for the year ended 31 December 2022 to RMB2,605.9 million for the year ended 31 December 2023.

Revenue by category:

	For the year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
Game publishing	2,133,803	81.9	2,114,226	77.9
Game development	215,105	8.3	452,569	16.7
IP Licensing	256,976	9.8	147,097	5.4
<b>Total</b>	<b><u>2,605,884</u></b>	<b><u>100.0</u></b>	<b><u>2,713,892</u></b>	<b><u>100.0</u></b>

- (i) The Group's game publishing revenue increased by 0.9% from RMB2,114.2 million for the year ended 31 December 2022 to RMB2,133.8 million for the year ended 31 December 2023. During the reporting period, *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情), an online mobile game published by the Group, has achieved a huge success in Mainland China and Hong Kong, Macau and Taiwan. Also, a number of mini games, such as *Legend of Nine Territories* (九州仙劍傳) and *The National Gunlord – The Frontier* (全民槍神:邊境王者), have outstanding performance in terms of revenue, and have contributed over RMB600 million to the Group's revenue. However, as the revenue of other games such as *Ultraman: The Gathering* (奧特曼:集結) and *Swallowed Star* (吞噬星空) published by the Group during the year did not reach expectations, and part of the published games recorded a decrease in revenue, resulting in only a slight increase in the scope of game publishing revenue.
- (ii) The Group's game development revenue decreased by 52.5% from RMB452.6 million for the year ended 31 December 2022 to RMB215.1 million for the year ended 31 December 2023. The strategy mobile game *World of Castellan* (城主天下), which is developed by Wenmai Hudong, was successfully published in 2023, bringing new research and development revenue for the Group. The other competitive game *Street Basketball* (全民街籃), which is self-developed by Shanghai Zhoujing, failed to be published and create revenue during the year. Revenue of *The King of Fighters: All Stars* (全明星激鬥), which is self-developed by the Group, recorded suboptimal performance during the year, and the revenue performance of *The World of Legend – Thunder Empire* (傳奇世界之雷霆霸業) developed by Wenmai Hudong, declined as compared with same period of last year, resulting in a decrease in game development revenue; and
- (iii) The revenue generated from the Group's IP licensing increased by 74.7% from RMB147.1 million for the year ended 31 December 2022 to RMB257.0 million for the year ended 31 December 2023. Revenue from IP licensing was primarily derived from *Legend of Sword and Fairy* (仙劍奇俠傳) IP and licensing business the games relating to Legend of Sword and Fairy World (仙劍世界).

## Cost of sales

The Group's cost of sales consists primarily of (i) commissions charged by publishing channel and CPs; (ii) amortization of royalties from games and famous intellectual properties held by third-party game developers and the Group; (iii) commissions charged by IPs; (iv) game development costs; and (v) marketing cost. 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			
	2023		2022	
	RMB'000	% to Revenue	RMB'000	% to Revenue
Commissions charged by channels and CPs	1,264,338	48.5	1,366,266	50.3
Amortisation of game royalties	143,189	5.5	67,764	2.5
Amortisation of IP royalties	20,838	0.8	16,745	0.6
Commissions charged by IP owners	151,989	5.8	114,607	4.2
Others	82,428	3.2	36,815	1.4
<b>Total</b>	<b>1,662,782</b>	<b>63.8</b>	<b>1,602,197</b>	<b>59.0</b>

The Group's cost of sales increased barely by 3.8% from RMB1,602.2 million for the year ended 31 December 2022 to RMB1,662.8 million for the year ended 31 December 2023. It was mainly because games launched by the Group during the reporting period, including *Ultraman: The Gathering* (奧特曼:集結) and *Swallowed Star* (吞噬星空), did not record revenue as expected after launch and the revenue of some operating games tended to decrease, resulting to a corresponding decrease in the commissions charged by channels and CP suppliers. Also, the new game *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) was released only on 7 December 2023 in Hong Kong, Macau and Taiwan, its short launching time resulted in low commissions charged by channels and CP suppliers during the reporting period. As a result of the aforesaid reasons, there is a 7.5% decrease in the commissions charged by channels and CPs from RMB1,366.3 million for the year ended 31 December 2022 to RMB1,264.3 million for the year ended 31 December 2023. During the reporting period, the developer contracts of several games of the Group expired, and the amortisation of game royalties increased by 111.3% from RMB67.8 million for the year ended 31 December 2022 to RMB143.2 million for the year ended 31 December 2023.

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

The Group's gross profit decreased by 15.2% from RMB1,111.7 million for the year ended 31 December 2022 to RMB943.1 million for the year ended 31 December 2023. The Group's gross profit margin decreased from 41.0% for the year ended 31 December 2022 to 36.2% for the year ended 31 December 2023. The decrease in gross profit margin was mainly due to the fact that the revenue of the Group's self-developed game *The King of Fighters: All Stars* (全明星激鬥) fell short of expectations in 2023, and the Group's revenue from projects such as *Thunder Empire* (雷霆霸業), a self-developed game that has been launched for many years, decreased. The decline in revenue has led to a decrease in the Group's game development revenue, thus leading to a decrease in gross profit margin.

### **Other income and gains**

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

	<b>For the year ended 31 December</b>			
	<b>2023</b>		<b>2022</b>	
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>
Bank interest income	<b>1,567</b>	<b>1.3</b>	5,560	8.7
Government grants	<b>28,680</b>	<b>24.4</b>	23,454	36.7
Fair value adjustment of contingent consideration	<b>68,925</b>	<b>58.7</b>	9,311	14.6
Dividend income from financial assets at fair value through profit or loss	<b>10,569</b>	<b>9.0</b>	—	—
Foreign exchange differences, net	—	—	1,473	2.3
Others	<b>7,685</b>	<b>6.6</b>	24,079	37.7
<b>Total</b>	<b>117,426</b>	<b>100.0</b>	<b>63,877</b>	<b>100.0</b>

The Group's other income and gains increased by 83.8% from RMB63.9 million for the year ended 31 December 2022 to RMB117.4 million for the year ended 31 December 2023. It was mainly because the 2023 annual results of Wenmai Hudong have underperformed with a loss incurred, which caused an adjustment to the fair value of the contingent consideration.

## 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			
	2023		2022	
	RMB'000	% to Revenue	RMB'000	% to Revenue
Marketing and promotion expenses	262,741	10.1	186,423	6.9
Salaries and welfare	34,117	1.3	36,432	1.3
Depreciation and amortisation	3,830	0.2	10,058	0.5
Others	5,806	0.2	5,068	0.1
<b>Total</b>	<b>306,494</b>	<b>11.8</b>	<b>237,981</b>	<b>8.8</b>

The Group's selling and distribution expenses increased by 28.8% from RMB238.0 million for the year ended 31 December 2022 to RMB306.5 million for the year ended 31 December 2023. It was mainly due to (i) the Group vigorously developed the mini-game business in 2023, which resulted in a large amount of promotion expenses; (ii) significant promotion expenses as a result of the successive release of *Sword and Fairy: Wen Qing* (新仙劍奇俠傳之揮劍問情) in Mainland China and Hong Kong, Macau and Taiwan during the reporting period; (iii) *The King of Fighters: All Stars* (全明星激鬥) was launched in Hong Kong, Macau, Taiwan, Singapore and Malaysia in February 2023, incurring a large amount of promotion expenses; (iv) the game *Rakshasa Street: Chosen One* (鎮魂街:天生為王) was launched in 22 December 2022 and generated a large amount of promotion expenses in 2023 after the launch; and (v) the Group reduced the number of marketing staff which led to a decrease in related salaries and welfare expenses.



## 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			
	2023		2022	
	RMB'000	% to Revenue	RMB'000	% to Revenue
Research and development expenses	370,256	14.2	526,745	19.4
Salaries and welfare	87,147	3.4	109,521	4.0
Office costs and utilities	49,752	1.9	85,910	3.2
Others	18,801	0.7	8,519	0.3
<b>Total</b>	<b>525,956</b>	<b>20.2</b>	<b>730,695</b>	<b>26.9</b>

The Group's administrative expenses decreased by 28.0% from RMB730.7 million for the year ended 31 December 2022 to RMB526.0 million for the year ended 31 December 2023. The decrease was mainly because (i) the research and development of Group's self-developed game *World of Castellan* (城主天下) has been completed during the reporting period with related expenses decreased. The *Legend of Sword and Fairy: World* (仙劍世界) has implemented AIGC technology in its development process to reduce costs. The main development phase was completed during the reporting period, and the project has now entered the testing phase. Therefore, the research and development expenses decreased by 29.7% from RMB526.7 million for the year ended 31 December 2022 to RMB370.3 million for the year ended 31 December 2023; (ii) the office expenses decreased as a result of reducing the size of the office by relocating some personnel to work together; and (iii) salaries and welfare expenses has decreased as compared to last year as a result of strict control of salaries and welfare of management personnel.

## **Impairment of financial and contract assets, net**

The Group's asset impairment losses represent impairment losses on trade receivables, financial assets including prepayment, other receivables and other assets. According to the relevant management policies under HKFRS 9, the impairment loss on financial and contract assets recorded by the Group decreased by 34.4% from RMB137.0 million for the year ended 31 December 2022 to RMB89.9 million for the year ended 31 December 2023.

## **Other expenses**

The Group's other expenses decreased by 23.6% from RMB193.4 million for the year ended 31 December 2022 to RMB147.8 million for the year ended 31 December 2023. The decrease was primarily attributable to the revenue of certain investee companies of the Group in Mainland China did not meet expectations in 2023, thus the Group recognised impairment provisions corresponding to the above-mentioned investee companies.

As at 31 December 2023, the annual results of Wenmai Hudong have underperformed with a loss incurred, leading to an impairment of goodwill of approximately RMB65.5 million.

## **Finance costs**

The Group's finance costs mainly consist of interest expenses, which decreased by 44.3% from RMB35.3 million for the year ended 31 December 2022 to RMB19.6 million for the year ended 31 December 2023, mainly due to the decrease in interest expenses of the bank borrowings of the Group.

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

As at 31 December 2023, the Group held a 60% equity interest in Shenzhen Boliang Technology Co., Ltd. (深圳博良科技有限公司), which is regarded as a joint venture of the Group under the applicable accounting policies.

Since the investment in a joint venture has been impaired to nil during the year 31 December 2023, the Group's share of losses of a joint venture also decreased from a loss of RMB8,000 for the year ended 31 December 2022 to nil for the year ended 31 December 2023.

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

The Group's share of profits and losses of associates changed from a loss of RMB16.7 million for the year ended 31 December 2022 to a profit of RMB3.5 million for the year ended 31 December 2023. It was primarily attributable to the share of profit of RMB22.8 million of Shenzhen Zhichengqianli Investment Enterprise (Limited Partnership) (深圳市志成千里投資企業(有限合夥)), share of profit of RMB2.1 million of Shanghai Fengguo Network Technology Co., Ltd. (上海蜂果網絡科技有限公司), and share of loss of RMB21.2 million of Hangzhou Huanwen Technology Co., Ltd. (杭州幻文科技有限公司).

### **Loss before tax**

As a result of the foregoing, the Group's loss before tax decreased from RMB175.5 million for the year ended 31 December 2022 to a loss of RMB25.7 million for the year ended 31 December 2023.

### **Income tax expense**

The Group's income tax expense decreased by 70.3% from RMB41.4 million for the year ended 31 December 2022 to RMB12.3 million for the year ended 31 December 2023. The Group has provided income tax expenses for 2023 despite a net loss was incurred. The income tax expenses have been recognised mainly due to the operating profits recorded in certain subsidiaries in Mainland China for the year ended 31 December 2023.

### **Loss for the year**

As a result of the foregoing, the Group's loss for the year decreased from RMB216.9 million for the year ended 31 December 2022 to a loss of RMB38.0 million for the year ended 31 December 2023.

## **LIQUIDITY AND FINANCIAL RESOURCES**

For the year ended 31 December 2023, 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 RMB237.0 million and RMB210.6 million as at 31 December 2022 and 2023, 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; and (iii) other funds raised from the capital markets from time to time. The Group currently does not have any plans for material additional external financing.

### **Indebtedness**

For the year ended 31 December 2023, the Group obtained bank loans of RMB609.0 million and repaid bank and other loans of RMB557.6 million.

As at 31 December 2023, the Group had interest-bearing bank borrowings of RMB495.0 million (2022: RMB444.2 million). The effective interest rates on the Group's unsecured bank loans range from 1.8% to 5.5%.

As at 31 December 2023, the lease liabilities of the Group were RMB26.9 million (2022: RMB42.5 million).

## **Financial assets at fair value through profit or loss**

The Group's financial assets at fair value through profit or loss have significantly improved with losses significantly reduced to approximately RMB33.5 million during the year ended 31 December 2023 from losses of approximately RMB56.3 million during the year ended 31 December 2022. The improvement was mainly attributed to the gains derived from certain listed equity investments of the Group and from the investments of the Group in certain blockchain ecosystem based supercomputing service companies during the year ended 31 December 2023. As at 31 December 2023, the Group's financial assets at fair value through profit or loss mainly include listed equity investments, unlisted equity investments, and convertible loans and other debt instruments, representing 10.0%, 61.9% and 28.1% of financial assets at fair value through profit or loss, respectively. As at 31 December 2023, the Group has invested in more than 30 companies, the business nature of which is mainly game development. The Group has always invested in quality research and development companies to supply the Group with competitive game products. Various game research and development companies invested by the Group have furnished a number of games that have continuously contributed to the publishing revenue of the Group as well as the turnover growth of their own. The Group regularly appoints professional independent valuers to evaluate the fair value of unlisted investments, including financial assets falling under Level 2 and Level 3 of the fair value hierarchy. The fair values of the unlisted investments have been estimated by using various applicable valuation techniques, including the discounted cash flow approach, adjusted net assets value method and other option pricing models.

## **Prepayments**

As at 31 December 2023, the prepayments of the Group amounted to approximately RMB1,429.3 million, representing a decrease of 6.6% as compared with 31 December 2022. The prepayments of the Group mainly included prepaid licence fees (non-current) of approximately RMB899.7 million, prepaid minimum guarantee (current) of approximately RMB513.2 million and other prepayments of approximately RMB16.4 million. Such prepayments for licence fees and minimum guarantee, for which the underlying contracts have been made with as many as 70 renowned enterprises worldwide, represented more than 80 operating or developing games and will be amortised monthly after the game development has been completed and officially launched.

## Off-balance sheet commitments and arrangements

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

## KEY FINANCIAL METRICS

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

	For the year ended	
	31 December/ as at 31 December	
	2023	2022
Current ratio (times) <sup>(1)</sup>	1.71	1.6
Gearing ratio <sup>(2)</sup>	8.7%	7.8%
Gross profit margin	36.2%	41.0%

*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 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 2023 mainly with its internal resources.

The Group's capital commitments as at 31 December 2022 and 2023 amounted to RMB300.2 million and RMB280.0 million, respectively. The Group's capital commitments as at 31 December 2023 were for the purchase of IP and game licences.

## SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS OR DISPOSAL

During the year ended 31 December 2023, and up to the date of this announcement, the Group did not make any significant investment, or perform any material acquisition or disposal of subsidiaries, associates and joint ventures.



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

Save as disclosed above, the Group has no concrete plan for material investments or capital assets as at the date of this announcement.

## **OTHER INFORMATION**

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

The Group had not purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

### **Corporate Governance Code**

During the year ended 31 December 2023, the Company complied with the applicable code provisions of Part 2 of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 (renamed as Appendix C1 since 31 December 2023) 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 Company 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. 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 (renamed as Appendix C3 since 31 December 2023) 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 2023. 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 2023.

## **Employees’ remuneration and relations**

As at 31 December 2023, the Group had approximately 832 full-time employees (2022: 1,165). 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 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 the Group’s 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 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, together with the Auditor, have reviewed the Group’s audited consolidated financial statements for the year ended 31 December 2023. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Group.

## **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.

For the purpose of determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 22 May 2024 to Monday, 27 May 2024 (both days inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered shareholders shall ensure that all transfer documents accompanied by the relevant Share certificates must be lodged with the Company’s Hong Kong branch registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 21 May 2024.

## **Final Dividend**

The Board does not recommend the declaration of a final dividend for the year ended 31 December 2023 (for the year ended 31 December 2022: Nil).

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

The annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cmge.com](http://www.cmge.com)). The 2023 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.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the year ended 31 December	
		2023 RMB'000	2022 RMB'000
<b>REVENUE</b>	4	<b>2,605,884</b>	2,713,892
Cost of sales		<u>(1,662,782)</u>	<u>(1,602,197)</u>
Gross profit		<b>943,102</b>	1,111,695
Other income and gains, net	4	<b>117,426</b>	63,877
Selling and distribution expenses		<b>(306,494)</b>	(237,981)
Administrative expenses		<b>(525,956)</b>	(730,695)
Impairment of financial and contract assets, net		<b>(89,936)</b>	(137,033)
Other expenses		<b>(147,778)</b>	(193,368)
Finance costs		<b>(19,638)</b>	(35,280)
Share of profits and losses of:			
A joint venture		—	(8)
Associates		<b>3,545</b>	(16,680)
<b>LOSS BEFORE TAX</b>	5	<b>(25,729)</b>	(175,473)
Income tax expense	6	<b>(12,312)</b>	(41,407)
<b>LOSS FOR THE YEAR</b>		<b><u>(38,041)</u></b>	<b><u>(216,880)</u></b>
Attributable to:			
Owners of the parent		<b>(20,079)</b>	(205,035)
Non-controlling interests		<b>(17,962)</b>	(11,845)
		<b><u>(38,041)</u></b>	<b><u>(216,880)</u></b>
<b>LOSS PER SHARE</b>			
<b>ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
Basic			
– For loss for the year		<b><u>RMB(0.73) cents</u></b>	<u>RMB(7.42) cents</u>
Diluted			
– For loss for the year		<b><u>RMB(0.73) cents</u></b>	<u>RMB(7.42) cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended	
	31 December	
	2023	2022
	RMB'000	RMB'000
<b>LOSS FOR THE YEAR</b>	<b><u>(38,041)</u></b>	<b><u>(216,880)</u></b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>12,379</u>	<u>(78,668)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation from functional currency to presentation currency	<u>2,990</u>	<u>174,755</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b><u>15,369</u></b>	<b><u>96,087</u></b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b><u>(22,672)</u></b>	<b><u>(120,793)</u></b>
Attributable to:		
Owners of the parent	<u>(4,710)</u>	<u>(108,948)</u>
Non-controlling interests	<u>(17,962)</u>	<u>(11,845)</u>
	<b><u>(22,672)</u></b>	<b><u>(120,793)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December	
		2023	2022
		RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>			
Property and equipment		14,222	17,873
Right-of-use assets		24,860	40,904
Goodwill	9	1,059,304	1,124,781
Other intangible assets		610,665	538,765
Investment in a joint venture		—	4,684
Investments in associates		159,329	156,629
Financial assets at fair value through profit or loss	10	2,021,044	2,099,456
Deferred tax assets		73,870	58,416
Prepayments	12	910,287	881,220
		4,873,581	4,922,728
<b>CURRENT ASSETS</b>			
Trade receivables	11	1,187,136	1,070,799
Prepayments, other receivables and other assets	12	808,992	909,899
Due from related parties		8,851	12,368
Other deposits		—	1,000
Cash and cash equivalents		210,609	236,960
		2,215,588	2,231,026
<b>CURRENT LIABILITIES</b>			
Trade payables	13	261,054	307,670
Other payables and accruals		311,556	282,741
Contingent consideration for business combination		100,000	168,925
Interest-bearing bank borrowings		495,000	444,169
Tax payable		114,717	133,063
Due to related parties		1,998	7,338
Lease liabilities		11,077	15,435
		1,295,402	1,359,341



	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>NET CURRENT ASSETS</b>	<b>920,186</b>	871,685
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>5,793,767</b>	5,794,413
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<b>83,124</b>	75,474
Lease liabilities	<b>15,830</b>	27,056
Total non-current liabilities	<b>98,954</b>	102,530
Net assets	<b>5,694,813</b>	5,691,883
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Issued capital	<b>1,915</b>	1,925
Reserves	<b>5,693,790</b>	5,672,888
	<b>5,695,705</b>	5,674,813
Non-controlling interests	<b>(892)</b>	17,070
Total equity	<b>5,694,813</b>	5,691,883

## 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 Act (as revised) 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, game development and licensing of intellectual property 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 consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**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 (“**HKICPA**”), 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 consolidated 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 Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023. 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 new and revised HKFRSs for the current year's consolidated financial statements:

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

### Impacts on application of HKFRS 17 - Insurance Contracts

HKFRS 17 defines an insurance contract as a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

In October 2020, the HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 Extension of the Temporary Exemption from HKFRS 9 that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In February 2022, the HKICPA issued Amendment to HKFRS 17 Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information to address implementation challenges that were identified after HKFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

Certain contracts entered into by the Group, including contingent consideration for business combination, meet the definition of insurance contracts under HKFRS 17. However, these contracts are specifically scoped out from HKFRS 17 and the Group continues to account for these contracts under relevant accounting standards. Therefore, the application of HKFRS 17 in the current year had no material impact on the consolidated financial statements.

Disclosure of Accounting Policies (Amendments to HKAS 1 – Presentation of Financial Statements and HKFRS Practice Statement 2 – Making Materiality Judgements)

The HKICPA issued HKFRS Practice Statement 2 – Making Materiality Judgements in March 2021 to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. In April 2021, the HKICPA issued amendments to HKAS 1 and HKFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose ‘significant accounting policies’ with ‘material accounting policy information’. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure. These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

The adoption of other new or amended HKFRSs and HKAS did not have any material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

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

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

Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>1</sup>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> <sup>1</sup>
HK Interpretation 5 (Revised)	<i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> <sup>1</sup>
Amendments to HKAS 21	<i>Lack of Exchangeability</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of the impact of these revised HKFRSs upon initial application. Up to now, the Group considers that these standards will not have a significant impact on the Group's financial performance and financial position in the foreseeable future.

### 3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in mobile game publishing, game development and licensing of intellectual property.

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 (“CODM”) in order to allocate resources to segments and to assess their performance. There were no segment assets and segment liabilities information provided to the CODM, as the CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

#### For the year ended 31 December 2023

Segments	Game publishing RMB'000	Game development RMB'000	Licensing of intellectual property RMB'000	Total RMB'000
<b>Segment revenue (note 4)</b>				
Sales to external customers	2,133,803	215,105	256,976	2,605,884
Intersegment sales	—	26,336	—	26,336
	<u>2,133,803</u>	<u>241,441</u>	<u>256,976</u>	<u>2,632,220</u>
Reconciliation:				
Elimination of intersegment sales				<u>(26,336)</u>
Total revenue from contracts with customers				<u><u>2,605,884</u></u>
Segment results	633,657	69,516	239,929	943,102
Reconciliation:				
Other income and gains, net				117,426
Selling and distribution expenses				(306,494)
Administrative expenses				(525,956)
Impairment of financial and contract assets, net				(89,936)
Other expenses				(147,778)
Finance costs				(19,638)
Share of profits and losses of:				
A joint venture				—
Associates				3,545
LOSS BEFORE TAX				<u><u>(25,729)</u></u>

**For the year ended 31 December 2022**

<b>Segments</b>	Game publishing RMB'000	Game development RMB'000	Licensing of intellectual property RMB'000	Total RMB'000
<b>Segment revenue (note 4)</b>				
Sales to external customers	2,114,226	452,569	147,097	2,713,892
Intersegment sales	—	159,307	—	159,307
	2,114,226	611,876	147,097	2,873,199
Reconciliation:				
Elimination of intersegment sales				(159,307)
Total revenue from contracts with customers				<u>2,713,892</u>
Segment results	722,854	253,475	135,366	1,111,695
Reconciliation:				
Other income and gains, net				63,877
Selling and distribution expenses				(237,981)
Administrative expenses				(730,695)
Impairment of financial and contract assets, net				(137,033)
Other expenses				(193,368)
Finance costs				(35,280)
Share of profits and losses of:				
A joint venture				(8)
Associates				(16,680)
LOSS BEFORE TAX				<u>(175,473)</u>



### Geographical information

(a) Revenue from external customers

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Mainland China	<b>2,379,078</b>	2,352,649
Other countries/regions	<u><b>226,806</b></u>	<u>361,243</u>
	<u><b>2,605,884</b></u>	<u>2,713,892</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>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Mainland China	<b>2,694,972</b>	2,727,662
Other countries/regions	<u><b>83,695</b></u>	<u>37,194</u>
	<u><b>2,778,667</b></u>	<u>2,764,856</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 2023, revenue of approximately RMB389,220,000 was derived from a single external customers that accounted for more than 10% of total revenue.

During the year ended 31 December 2022, revenue of approximately RMB584,237,000 was derived from a single external customer that accounted for more than 10% of total revenue.

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

An analysis of revenue is as follows:

(a) Disaggregated revenue information

**For the year ended 31 December 2023**

Segments	Game publishing RMB'000	Game development RMB'000	Licensing of intellectual property RMB'000	Total RMB'000
<b>Types of goods and services:</b>				
Mobile game publishing services	2,133,803	—	—	2,133,803
Game development related services	—	215,105	—	215,105
Licensing of intellectual property	—	—	256,976	256,976
	<u>2,133,803</u>	<u>215,105</u>	<u>256,976</u>	<u>2,605,884</u>
<b>Total revenue</b>				
	<u><u>2,133,803</u></u>	<u><u>215,105</u></u>	<u><u>256,976</u></u>	<u><u>2,605,884</u></u>
<b>Revenue from contracts with customers under HKFRS 15 by geographical markets:</b>				
Mainland China	1,926,081	215,105	237,892	2,379,078
Other countries/regions	207,722	—	19,084	226,806
	<u>2,133,803</u>	<u>215,105</u>	<u>256,976</u>	<u>2,605,884</u>
	<u><u>2,133,803</u></u>	<u><u>215,105</u></u>	<u><u>256,976</u></u>	<u><u>2,605,884</u></u>
<b>Revenue from contracts with customers under HKFRS 15 by timing of revenue recognition:</b>				
Services transferred over time	2,133,803	215,105	143,768	2,492,676
Services transferred at a point in time	—	—	113,208	113,208
	<u>2,133,803</u>	<u>215,105</u>	<u>256,976</u>	<u>2,605,884</u>
	<u><u>2,133,803</u></u>	<u><u>215,105</u></u>	<u><u>256,976</u></u>	<u><u>2,605,884</u></u>

**For the year ended 31 December 2022**

<b>Segments</b>	Game publishing RMB'000	Game development RMB'000	Licensing of intellectual property RMB'000	Total RMB'000
<b>Types of goods and services:</b>				
Mobile game publishing services	2,114,226	—	—	2,114,226
Game development related services	—	452,569	—	452,569
Licensing of intellectual property	—	—	147,097	147,097
	<u>2,114,226</u>	<u>452,569</u>	<u>147,097</u>	<u>2,713,892</u>
<b>Total revenue</b>	<b><u>2,114,226</u></b>	<b><u>452,569</u></b>	<b><u>147,097</u></b>	<b><u>2,713,892</u></b>
<b>Revenue from contracts with customers under HKFRS 15 by geographical markets:</b>				
Mainland China	1,767,075	452,569	133,005	2,352,649
Other countries/regions	347,151	—	14,092	361,243
	<u>2,114,226</u>	<u>452,569</u>	<u>147,097</u>	<u>2,713,892</u>
<b>Revenue from contracts with customers under HKFRS 15 by timing of revenue recognition:</b>				
Services transferred over time	2,114,226	452,569	45,832	2,612,627
Services transferred at a point in time	—	—	101,265	101,265
	<u>2,114,226</u>	<u>452,569</u>	<u>147,097</u>	<u>2,713,892</u>

The following table shows the amounts of revenue from contracts with customers under HKFRS 15 recognised in the current reporting period that were included in the contract liabilities at the beginning of each reporting period:

	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of year:		
Short-term advances received from game publishing and IP licensing income	<b>53,754</b>	42,453
Sales of game points in self-developed games	<b>61,606</b>	69,231
	<b><u>115,360</u></b>	<u>111,684</u>

(b) Performance obligations of revenue from contracts with customers under HKFRS 15

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*

The performance obligation from self-developed and self-operating games is satisfied over the estimated Player Relation Period. The performance obligation from licensing self-developed games to other publishers as customer is satisfied over time during the licence period for granting the customer a right to access, or at a point for granting the customer a right to use.

*Intellectual property licensing services*

The performance obligation is satisfied over the licence period (for a right to access) or at the point in time when the customer can first use the licenced 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>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	<b>154,331</b>	128,841

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.

(c) Other income and gains, net

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Bank interest income	<b>1,567</b>	5,560
Government grants*	<b>28,680</b>	23,454
Fair value adjustment of contingent consideration for business combination	<b>68,925</b>	9,311
Dividend income from financial assets at fair value through profit or loss	<b>10,569</b>	—
Foreign exchange differences, net	—	1,473
Others	<b>7,685</b>	24,079
	<b><u>117,426</u></b>	<b><u>63,877</u></b>

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

## 5. LOSS BEFORE TAX

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

	2023 RMB'000	2022 RMB'000
Commissions charged by publishing channels and third-party game developers <sup>(a)</sup>	1,264,338	1,366,266
Commissions charged by IPs owners	151,989	114,607
Promotion expenses	262,741	186,423
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	303,238	375,106
Equity-settled share-based expense	21,753	8,263
Pension scheme contributions (defined contribution scheme) <sup>(b)</sup>	48,121	74,996
	<u>373,112</u>	<u>458,365</u>
Depreciation of property and equipment	6,458	4,284
Depreciation of right-of-use assets	13,916	18,875
Amortisation of other intangible assets <sup>(c)</sup>	108,863	69,991
Research and development costs	446,666	526,745
Less: Amounts capitalised in intangible assets	<u>(76,410)</u>	<u>—</u>
	<u>370,256</u>	<u>526,745</u>
Lease payments not included in the measurement of lease liabilities	6,569	8,981
Foreign exchange differences, net	5,904	(1,473)
Impairment of an investment in an associate <sup>(e)</sup>	846	58,092
Impairment of an investment in a joint venture	4,684	—
Impairment of trade receivables, net	103,232	64,823
(Reversal of)/impairment of financial assets included in prepayments, other receivables and other assets	<u>(13,296)</u>	<u>72,210</u>
	<u>89,936</u>	<u>137,033</u>
Write-off of prepayments, net <sup>(d)</sup>	26,858	50,934
Impairment of goodwill <sup>(e)</sup>	65,477	12,288
Impairment of other intangible assets <sup>(e)</sup>	3,094	10,636
Bank interest income	(1,567)	(5,560)
Loss on disposal of items of property and equipment	333	103
Gain on lease modification	(317)	(779)
Auditor's remuneration	6,200	6,150
Fair value loss on financial assets at fair value through profit or loss	33,538	56,284
Fair value adjustment of contingent consideration for business combination	<u>(68,925)</u>	<u>(9,311)</u>



- (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. 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 publishing channel services to the Group, which amounted to RMB53,835,000 during the year ended 31 December 2023 (2022: RMB62,620,000), and the balance of trade receivables from Shiji Huatong as at 31 December 2023 was RMB909,000 (2022: RMB9,741,000).
- (b) There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.
- (c) The amortisation of other intangible assets for the 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. These prepayments are relating to certain mobile game projects which the Group had decided to terminate.
- (e) Impairment of goodwill, other intangible assets and investment in an associate 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 BVI and the Cayman Islands (the “**Cayman**”), the Group is not subject to any income tax in the BVI and the Cayman.

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the 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 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to the 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 and Shenzhen Zhongshouyou were accredited as High and New Technology Enterprises (“**HNTE**”) in 2023 under relevant PRC laws and regulations. Accordingly, Shenzhen Douyue and Shenzhen Zhongshouyou were entitled to a preferential Corporate Income Tax (“**CIT**”) rate of 15% from 2023 to 2026.

Wenmai Hudong was accredited as a HNTE since 2016 and the certificate is valid for three years since its renewal in December 2022. The applicable tax rate for Wenmai Hudong is 15% for the year ended 31 December 2022 and 2023.

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

Zhongsheng Huyu 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% from 2021 to 2025.

Beijing Zhongsheng 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 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 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 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 2022 and 2023.

Hainan Chuangyue and Hainan Zhanshen were established in the Hainan Free Trade Port. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Hainan Chuangyue and Hainan Zhanshen was 15% each for the year ended 31 December 2022 and 2023.

Shanghai Fanying Network Technology Co., Ltd. was accredited as a “software enterprise” in 2021 under relevant PRC laws and regulations. According to relevant policies, it was entitled to tax exemption from 2021 to 2022 and is entitled to a preferential CIT rate of 12.5% from 2023 to 2026.

## Super Deduction

According to a policy promulgated by the State Tax Bureau of the PRC that was effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development (“R&D”) expenses incurred as tax deductible expenses in determining tax assessable profits. Certain qualified subsidiaries of the Group have claimed such super deduction in ascertaining its tax assessable profits/(losses) for the year ended 31 December 2023.

On 26 March 2023, the State Tax Bureau of the PRC issued the Public Notice [2023] No.7, announcing that the enterprises engaging in research and development activities are entitled to claim 200% of their “R&D” expenses incurred as tax deductible expenses in determining tax assessable profits from 2023 onwards. Certain qualified subsidiaries of the Group have claimed such super deduction in ascertaining their tax assessable profits/(losses) for the year ended 31 December 2023.

The major components of the income tax expense for the year are as follows:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Current tax expense		
PRC	<b>25,874</b>	34,518
Hong Kong		
Charge for the year	—	4,622
Overprovision in prior years	<b>(7,912)</b>	—
Elsewhere	<b>2,154</b>	—
Total	<b>20,116</b>	39,140
Deferred tax expense		
PRC	<b>(7,804)</b>	2,267
Total tax charge for the year	<b>12,312</b>	41,407

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 2023, no deferred tax (2022: 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 and associates in Mainland China for which deferred tax liabilities have not been recognised totaled approximately RMB285,140,000 (2022: RMB307,667,000).

## 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 2023 (2022: nil).

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of RMB20,079,000 (2022: RMB205,035,000), and the weighted average number of ordinary shares of 2,752,672,000 (2022: 2,764,646,362) in issue during the year.

The computation of diluted loss per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for both 2023 and 2022. The Group did not have any dilutive ordinary potentially shares in issue during the year ended 31 December 2023 (2022: Nil).

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

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Loss</b>		
Loss attributable to ordinary equity holders of		
The parent, used in the basic and diluted loss		
per share calculation	<u>(20,079)</u>	<u>(205,035)</u>
	<b>Number of shares</b>	
	<b>2023</b>	2022
<b>Shares</b>		
Weighted average number of ordinary shares in issue		
during the year used in the basic loss		
per share calculation	<u>2,752,672,000</u>	<u>2,764,646,362</u>

## 9. GOODWILL

	<b>RMB'000</b>
<b>At 1 January 2022:</b>	
Cost	1,118,617
Accumulated impairment	(10,680)
	<hr/>
Net carrying amount	1,107,937
	<hr/>
Cost at 1 January 2021 and 31 December 2021, net of accumulated impairment	1,107,937
Acquired through business combinations	29,132
Impairment during the year (note 5)	(12,288)
	<hr/>
Net carrying amount at 31 December 2022	1,124,781
	<hr/> <hr/>
<b>At 31 December 2022:</b>	
Cost	1,147,749
Accumulated impairment	(22,968)
	<hr/>
Net carrying amount	1,124,781
	<hr/>
Cost at 1 January 2022 and 31 December 2022, net of accumulated impairment	1,124,781
Impairment during the year (note 5)	(65,477)
	<hr/>
Net carrying amount at 31 December 2023	1,059,304
	<hr/> <hr/>
<b>At 31 December 2023:</b>	
Cost	1,147,749
Accumulated impairment	(88,445)
	<hr/>
Net carrying amount	1,059,304
	<hr/> <hr/>

Software, information and technology operation of Guangzhou Chuxin CGU and Digital art related business of Hainan Guming CGU

During the year ended 31 December 2022, management of the Group has provided impairment loss on goodwill of RMB9,632,000 and RMB2,656,000 allocated to software, information and technology operation of Guangzhou Chuxin CGU and digital art related business of Hainan Guming CGU respectively to write down their recoverable amounts to nil due to their closure of businesses under the Group's latest strategy.

Game development operation of Wenmai Hudong CGU

During the year ended 31 December 2023, management of the Group has provided impairment loss on goodwill of RMB 65,477,000 allocated to game development operation of Wenmai Hudong CGU to write down their carrying amounts to RMB 672,380,000.

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

	2023	2022
	RMB'000	RMB'000
Listed equity investments, at fair value	201,133	179,739
Unlisted equity investments, at fair value	1,251,887	1,373,812
Convertible loans and other debt instrument, at fair value	568,024	545,905
	<u>2,021,044</u>	<u>2,099,456</u>

In May 2018, the Group acquired 26% of the issued shares of Angel Fund (Asia) Investments Limited (“**Angel Fund**”) from Angel (Partners) Investments Limited with the consideration of 1,270,963 issued shares of Ridgeview Well Investment Limited, the then sole shareholder of the Company. Angel Fund held 9,740,562 shares, representing 20.368% of the total issued shares of Softstar Entertainment Inc, which is a company listed on the Taiwan Stock Exchange (TAIPEI: 6111). The fair value of the investment in Angel Fund was RMB39,906,000 (2022: RMB45,806,000) as at 31 December 2023.

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 RMB218,359,000 (2022: RMB221,720,000) as at 31 December 2023.

In February 2020, Guohong Jiaxin (Shenzhen) Angel Venture Capital Enterprise (L.P.) (“**Angel Venture**”) has been set up after obtaining all the related licences and approval documentation. The fair value of the investment in Angel Venture was RMB219,000,000 (2022: RMB201,000,000) as at 31 December 2023.

The Group holds 33.93%, 25.65% and 39.01% limited partnership interests in Angel Fund, CPC Fund, and Angel Venture, respectively. Pursuant to the relevant 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.

## 11. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	1,450,544	1,232,102
Allowance for impairment	<u>(263,408)</u>	<u>(161,303)</u>
Trade receivables, net	<u><u>1,187,136</u></u>	<u><u>1,070,799</u></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:

	2023 RMB'000	2022 RMB'000
Within 6 months	746,711	737,740
6 months to 1 year	325,281	155,602
1 year to 18 months	52,405	100,177
18 months to 2 years	36,474	60,762
Over 2 years	<u>26,265</u>	<u>16,518</u>
	<u><u>1,187,136</u></u>	<u><u>1,070,799</u></u>

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

	2023 RMB'000	2022 RMB'000
At beginning of year	161,303	96,480
Provision for impairment losses, net (note 5)	103,232	64,823
Receivable written off during the year as uncollectible	<u>(1,127)</u>	<u>—</u>
At end of year	<u><u>263,408</u></u>	<u><u>161,303</u></u>



The Group applies the simplified approach in calculating expected credit losses (“ECL”) 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 2023**

	Amount RMB’000	Expected credit loss rate	Impairment RMB’000
Default receivables	3,461	100.0%	3,461
Other trade receivables aged:			
Current	776,207	3.8%	29,496
Past due for less than 6 months	368,382	11.7%	43,101
Past due for 6 months to 1 year	67,186	22.0%	14,781
Past due for 1 year to 18 months	61,820	41.0%	25,346
Past due for 18 months to 24 months	79,111	66.8%	52,846
Past due for over 24 months	94,377	100.0%	94,377
	<u>1,450,544</u>		<u>263,408</u>

**As at 31 December 2022**

	Amount RMB’000	Expected credit loss rate	Impairment RMB’000
Default receivables	2,543	100.0%	2,543
Other trade receivables aged:			
Current	758,992	2.8%	21,252
Past due for less than 6 months	169,132	8.0%	13,530
Past due for 6 months to 1 year	119,685	16.3%	19,508
Past due for 1 year to 18 months	94,940	36.0%	34,178
Past due for 18 months to 24 months	64,398	74.4%	47,880
Past due for over 24 months	22,412	100.0%	22,412
	<u>1,232,102</u>		<u>161,303</u>

## 12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Non-current portion		
Prepayments*	<u>910,287</u>	<u>881,220</u>
Current portion		
Prepayments*	519,035	648,526
Deposits and other receivables**	205,595	215,682
Contract costs***	<u>84,362</u>	<u>45,691</u>
	<u>808,992</u>	<u>909,899</u>
	<u><u>1,719,279</u></u>	<u><u>1,791,119</u></u>

\* Prepayments as at 31 December 2023 mainly included prepaid minimum guarantee of approximately RMB513,229,000 (31 December 2022: RMB567,925,000) and prepaid licence fees of approximately RMB899,731,000 (31 December 2022: RMB868,051,000).

\*\* Deposits and other receivables as at 31 December 2023 mainly included receivable from disposal of investments of approximately RMB60,255,000 (31 December 2022: RMB75,144,000), deposit paid for the acquisition of investments of approximately RMB23,804,000 (31 December 2022: RMB32,419,000), deductible Input VAT of approximately RMB34,960,000 (31 December 2022: RMB23,956,000) and deposit for expense including marketing, rental and other receivables. of approximately RMB86,576,000 (31 December 2022: RMB84,193,000).

\*\*\* 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.

### 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>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Within 3 months	<b>93,933</b>	169,871
3 to 6 months	<b>54,625</b>	65,710
6 months to 1 year	<b>47,358</b>	26,639
Over 1 year	<b>65,138</b>	45,450
	<hr/>	<hr/>
Total	<b>261,054</b>	307,670
	<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, 27 March 2024

*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.*