
SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document and particularly the section headed “Risk Factors” in this document which sets out some of the particular risks in [REDACTED] in the [REDACTED] before you decide to [REDACTED] in the [REDACTED].

OVERVIEW

We are a mobile game developer, publisher and operator in the PRC with a focus on mobile sports simulation games for global markets. We ranked second in the mobile sports game market in the PRC in 2021 in terms of revenue, representing a market share of approximately 7.9%. The mobile sports simulation game market primarily comprises mobile sports management simulation game market and mobile sports action simulation game market. In 2021, we also ranked second in the mobile sports simulation game market in the PRC in terms of revenue, representing a market share of approximately 12.4%. The online sports game market includes all sports-themed games accessible to users on the internet, whereas, the mobile sports simulation game market is a segment of the online sports game market and refers specifically to online sports games that simulate the real-life sports world dynamics to present users with immersive gameplay experience on portable devices, such as tablets and smartphones. Although the online sports game market contributed only approximately 2.7% to the overall online game market in the PRC in 2021, and is fragmented with many relatively small companies and dominated by the largest market player, we believe we are well-positioned to capture the growing market opportunities by capitalizing on our track record and success in the development and operation of mobile sports games.

Over the years, we developed and operated primarily mobile sports games. As of the Latest Practicable Date, we developed and operated four mobile sports games, among which *Football Master* (足球大師), *NBA Basketball Master* (NBA籃球大師) and *Football Champion* (最佳11人 — 冠軍球會) formed the backbone of our business and contributed the majority of our revenue during the Track Record Period. We have cultivated our user base from *Football Master* (足球大師), our first flagship mobile sports management simulation game launched in July 2014. Leveraging our success of *Football Master* (足球大師), we developed and launched our second mobile sports management simulation game, *NBA Basketball Master* (NBA籃球大師) in September 2017. Our *Football Champion* (最佳11人 — 冠軍球會) was launched in April 2020 with enhanced realistic graphics to feature more authentic 3D simulation on professional player’s motion, and with IP right licenses obtained from internationally renowned sports league, sports associations and sports clubs that are appealing to global football fans. *Football Master* (足球大師) and *NBA Basketball Master* (NBA籃球大師) have contributed a significant part to our total revenue from 2019 to 2021, accounting for 46.2% and 51.7% in 2019, 35.9% and 53.5% in 2020, and 29.4% and 38.4% in 2021, respectively. After the launch in April 2020, *Football Champion* (最佳11人 — 冠軍球會) contributed to approximately 10.2%, 32.2% and 52.9% of our total revenue in 2020, 2021 and for the six months ended June 30, 2022, respectively. Our *Football Master* (足球大師), *NBA Basketball Master* (NBA籃球大師) and *Football Champion* (最佳11人 — 冠軍球會) are expected to have a remaining lifecycle of approximately 22 months, 60 months and 91 months, respectively as of the Latest Practicable Date due to a myriad of factors, such as the enduring popularity of sports, prolonged user engagement because of the stickiness of the loyal sports fans and realistic portrayal of real-life sports world development of our games with continuous upgrades and updates as well as our continuous efforts to extend the lifecycle of our games through various measures. In July 2022, we successfully launched our new mobile sports action simulation game, *Total Football* (最佳球會) in the PRC, New Zealand and Australia. *Total Football* (最佳球會) is our first self-developed mobile football action simulation game which incorporates the state of art 3D gameplay scenes and more advanced AI technology to enhance users’ sensational experience in the virtual sports matches by the application of manual steering skills. By virtue of the seamless gameplay with sophisticated action animation, *Total Football* (最佳球會) has been featured and demonstrated on the display of the latest Apple iPad model as of the Latest Practicable Date. For details, please refer to “Business — Our Games Pipeline — Lifecycle of our games”. For more information as to our existing game portfolio, please refer to the section headed “Business — Existing game portfolio”.

Leveraging our experiences in the development of our four signature mobile sports games, we are committed to making continuous effort in capturing the market opportunities in the mobile sports game industry in the PRC and overseas markets to expand our mobile sports game portfolio. As of the Latest Practicable Date, we had a pipeline of three new mobile sports games, which are expected to be launched by the third quarter of 2022, the second half of 2023 and the second half of 2024, respectively. To create attractive game content, we formed valuable and strategic relationships with IP right holders, including internationally renowned sports league, sports associations and sports clubs, including FIFPro, NBA, NBPA, Juventus F.C., Manchester City F.C., F.C. Bayern Munich, Paris Saint-Germain F.C., Borussia Dortmund and F.C.

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Barcelona. Our game development and operational capabilities have secured us the recognition by these sports league, sports associations and sports clubs which grant us IP right licenses to sustain the long-term popularity of our games.

During the Track Record Period, the majority of our revenue was derived from our self-developed mobile sports games launched in both the PRC and overseas markets. All of our games are introduced on a free-to-play model and we generate our revenue from monetizing users by in-game purchases of virtual items. As a result of our success in capturing the market opportunities in the mobile sports game industry and driving user engagement, we have experienced a stable growth during the years ended December 31, 2019, 2020 and 2021, generating a revenue of approximately RMB378.6 million, RMB404.7 million and RMB459.9 million, respectively, representing a CAGR of approximately 10.2% from 2019 to 2021. For the six months ended June 30, 2022, our revenue further increased significantly by approximately RMB113.8 million, or 62.9% to approximately RMB294.8 million from approximately RMB181.0 million for the corresponding period in 2021.

The table below sets forth a breakdown of revenue by our games for the periods indicated:

	2019		Year ended December 31,				Six months ended June 30,			
	RMB'000	%	2020	%	2021	%	2021	%	2022	%
			RMB'000		RMB'000		RMB'000		RMB'000	
									(Unaudited)	
Football Master (足球大師)	174,693	46.2	145,369	35.9	134,988	29.4	67,546	37.3	55,264	18.7
NBA Basketball Master (NBA籃球大師)	195,905	51.7	216,479	53.5	176,693	38.4	80,703	44.6	83,715	28.4
Football Champion (最佳11人 — 冠軍球會)	68	*	41,368	10.2	148,170	32.2	32,725	18.1	155,796	52.9
Chinese Super League (冠軍中超OL) ⁽¹⁾	7,205	1.9	857	0.2	—	—	—	—	—	—
Idol Love Story (戀愛吧! 偶像) ⁽¹⁾	759	0.2	672	0.2	—	—	—	—	—	—
Total	378,630	100.0	404,745	100.0	459,851	100.0	180,974	100.0	294,775	100.0

* Less than 0.1%

Note:

(1) Discontinued games. Please refer to the section headed “Business — Existing game portfolio — Discontinued games” for more information.

Except for *Idol Love Story* (戀愛吧! 偶像), all of our mobile games are themed with sports. The following table sets forth a breakdown of revenue, gross profit and gross profit margin by types of our mobile games for the periods indicated:

	2019		Year ended December 31,				2021				Six months ended June 30,			2022 June						
	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit	Gross profit					
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%				
Sports mobile games	377,871	99.8	176,903	46.8	404,073	99.8	186,738	46.2	459,851	100	221,527	48.2	180,974	100.0	82,642	45.7	294,775	100.0	148,865	50.5
Non-sports mobile games	759	0.2	149	19.6	672	0.2	197	29.3	—	—	—	—	—	—	—	—	—	—	—	
Others*	—	—	(5,951)	—	—	—	(6,544)	—	—	—	—	—	—	—	—	—	—	—	—	
Total	378,630	100	171,101	45.2	404,745	100	180,391	44.6	459,851	100	221,527	48.2	180,974	100.0	82,642	45.7	294,775	100.0	148,865	50.5

* Others refer to cost of revenue unallocated to different types of our mobile games, mainly consist of staff costs, depreciation of property, plant and equipment and depreciation of right-of-use assets.

For further details of our mobile games, please refer to the section headed “Business — Our Games Pipeline”.

The table below sets forth a breakdown of top up amount⁽¹⁾ of our users by geographical locations⁽²⁾ for the periods indicated:

	2019		Year ended December 31,				Six months ended June 30,			
	RMB'000	%	2020	%	2021	%	2021	%	2022	%
			RMB'000		RMB'000		RMB'000		RMB'000	
The PRC	332,882	89.2	379,845	91.3	369,092	76.5	157,717	87.3	230,952	74.2
Overseas ⁽³⁾	40,240	10.8	36,162	8.7	113,323	23.5	22,928	12.7	80,159	25.8
Total	373,122	100.0	416,007	100.0	482,415	100.0	180,645	100.0	311,111	100.0

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Notes:

- (1) The top up amount is defined as payment made by the paying users and credited to the user’s game account. The top up amount is based on the operational data extracted from our database and thus not audited.
- (2) The geographical location is determined by the IP address of the paying users where they registered our games for the first time.
- (3) Include users whose IP addresses at first time game registration are located outside the PRC, including Hong Kong, Macau, Taiwan, South Korea, Vietnam and other regions, and whose IP addresses were not recorded at registration or first log-in for Chinese Super League (冠軍中超OL).

OUR BUSINESS MODEL

As a mobile sports game developer, publisher and operator in the PRC, our business model is based on developing, launching, publishing, operating and monetizing our games. In terms of development, during the Track Record Period, except *Chinese Super League (冠軍中超OL)* that was co-developed with a third-party game publisher and *Idol Love Story (戀愛吧!偶像)* that was developed with a third-party on a commission basis, all of our games are developed in-house. In order to develop and publish our mobile sports games, we would require IP right licenses of various sports leagues, sports associations and sports clubs. During the Track Record Period, we mainly relied on self-publishing. We self-publish our games by (i) collaborating directly with third-party distribution platforms, such as application marketplaces to allows users to download our games; (ii) providing QR codes on our official website for visitors to download and install our games; and (iii) commissioning advertising and marketing agencies to publicize our games with links which would be directed to the official website of our games or various third-party distribution platforms. To a lesser extent, we also partner with third-party publishers to publish and promote our games. Our third-party publishers are responsible for publishing, marketing and promotion, and providing customer services for our games in the prescribed territories through various channels such as social media platforms; whereas, for self-publishing, we will engage various advertising and marketing agencies at our own discretion from time to time. For details of our cooperation with third-party publishers, third-party distribution platforms and advertising and marketing agencies, such as the range of revenue sharing percentages or payment arrangement, please refer to sections headed “Business — Our Business Model — Game publishing” and “Financial Information — Critical Accounting Policies, Judgments and Estimates Game Revenue Recognition”. After a game is launched, we will regularly upgrade our games to reflect users’ feedback, market data collected and analysis by our sales and marketing team. Usually, the entire game development takes approximately one and a half year to three years, starting from project initiation to official launch.

REVENUE BY PUBLISHING MODELS

The following table sets forth a breakdown of revenue by publishing models in absolute amounts and as percentages to our total revenue for the periods indicated:

	2019		Year ended December 31,				Six months ended June 30,			
	RMB'000	%	2020	2021	2021	%	2021	2022	2022	%
			RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Self-publishing games	360,360	95.2	395,024	97.6	452,672	98.4	176,928	97.8	292,106	99.1
Third party publishing games	18,270	4.8	9,721	2.4	7,179	1.6	4,046	2.2	2,669	0.9
Total	378,630	100.0	404,745	100.0	459,851	100.0	180,974	100.0	294,775	100.0

Cost of Revenue

Our cost of revenue primarily consists of (i) commission fee to the Platforms; (ii) license fees which include our amortisation charges on royalty fees to our IP right holders; (iii) revenue sharing to third-party publishers; (iv) staff costs for daily operation; and (v) server usage expenses. Our cost of revenue increased by approximately RMB16.9 million, or 8.1%, from approximately RMB207.5 million for the year ended December 31, 2019 to approximately RMB224.4 million for the year ended December 31, 2020, and further increased by approximately RMB13.9 million, or 6.2%, to approximately RMB238.3 million for the year ended December 31, 2021. For the six months ended June 30, 2022, our cost of revenue increased by approximately RMB47.6 million, or 48.4%, to approximately RMB145.9 million from approximately RMB98.3 million for the corresponding period in 2021. For more detailed analysis as to our cost of revenue, please refer to the section headed “Financial Information — Period to Period Comparison of Results of Operations”.

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The following table sets forth a breakdown of our cost of revenue in absolute amounts and as percentages to our total cost of revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Commission fee to the										
Platforms	142,939	68.9	157,331	70.1	168,098	70.5	69,185	70.4	102,290	70.1
License fees	40,118	19.3	47,711	21.3	47,739	20.0	19,194	19.5	29,813	20.4
Revenue sharing to third-party										
publishers	14,764	7.1	8,129	3.6	5,682	2.4	3,215	3.3	2,244	1.5
Staff costs	5,287	2.5	5,920	2.6	8,503	3.6	3,620	3.7	5,782	4.0
Server usage expenses	3,757	1.8	4,638	2.1	7,434	3.1	2,830	2.9	5,121	3.5
Others*	664	0.4	625	0.3	868	0.4	288	0.2	660	0.5
Total cost of revenue	207,529	100.0	224,354	100.0	238,324	100.0	98,332	100.0	145,910	100.0

* Others mainly consist of depreciation of property, plant and equipment and depreciation of right-of-use assets.

KEY OPERATIONAL METRICS

We measure our games' performance by five key operating metrics, namely (i) total registered users; (ii) total new users; (iii) average DAUs; (iv) average MAUs; (v) average MPUs; and (vi) ARPPU.

The following table sets out these operating metrics for *Football Master* (足球大師):

	For the year ended December 31,									For the six months ended June 30,		
	2019			2020			2021			2022		
	PRC	Overseas ⁽¹⁾	Total	PRC	Overseas ⁽¹⁾	Total	PRC	Overseas ⁽¹⁾	Total	PRC	Overseas ⁽¹⁾	Total
Total registered users	773,472	1,956,804	2,730,276	1,010,271	3,357,720	4,367,991	1,230,695	4,483,947	5,714,642	1,325,762	4,808,961	6,134,723
Total new users	419,490	1,582,887	2,002,377	236,799	1,400,916	1,637,715	220,424	1,126,227	1,346,651	95,067	325,014	420,081
Average DAUs	25,742	23,340	49,082	24,840	22,896	47,736	17,600	15,912	33,512	16,042	10,839	26,881
Average MAUs	82,557	173,548	256,105	62,798	145,135	207,933	47,327	115,657	162,984	41,367	68,205	109,572
Average MPUs	15,744	4,156	19,900	8,234	3,524	11,758	5,506	2,420	7,926	4,653	1,561	6,214
ARPPU (RMB)	772	339	682	1,300	476	1,053	1,626	790	1,371	1,585	1,019	1,442

Note:

- The operational data of our game in overseas jurisdictions include users initially registering our games with recorded overseas IP addresses. For illustrative purpose only, the PRC excludes Hong Kong, Macau and Taiwan.

The following table sets out these operating metrics for *NBA Basketball Master* (NBA籃球大師):

	For the year ended December 31									For the six months ended June 30,		
	2019			2020			2021			2022		
	PRC	Overseas ⁽¹⁾	Total	PRC	Overseas ⁽¹⁾	Total	PRC	Overseas ⁽¹⁾	Total	PRC	Overseas ⁽¹⁾	Total
Total registered users	9,257,373	613,248	9,870,621	11,969,705	796,160	12,765,865	16,873,664	969,228	17,842,892	19,291,540	1,006,699	20,298,239
Total new users	4,032,101	211,938	4,244,039	2,712,332	182,912	2,895,244	4,903,959	173,068	5,077,027	2,417,876	37,471	2,455,347
Average DAUs	68,239	6,824	75,063	63,200	4,631	67,831	56,402	3,298	59,700	61,311	2,012	63,323
Average MAUs	461,653	44,696	506,349	336,416	26,225	362,641	497,465	20,439	517,904	490,429	9,562	499,991
Average MPUs	42,839	2,474	45,313	44,257	1,545	45,802	31,000	1,104	32,104	34,910	540	35,450
ARPPU (RMB)	362	562	372	389	797	403	454	752	464	395	995	404

Note:

- The operational data of our game in overseas jurisdictions include users initially registering our games with recorded overseas IP addresses. For illustrative purpose only, the PRC excludes Hong Kong, Macau and Taiwan.

The following table sets out these operating metrics for *Football Champion* (最佳11人 — 冠軍球會):

	For the year ended December 31									For the six months ended June 30,		
	2019 ⁽¹⁾			2020 ⁽¹⁾⁽²⁾			2021			2022		
	PRC	Overseas ⁽³⁾	Total	PRC	Overseas ⁽³⁾	Total	PRC	Overseas ⁽³⁾	Total	PRC	Overseas ⁽¹⁾	Total
Total registered users	13,678	11	13,689	880,675	8,350	889,025	1,473,739	3,974,964	5,448,703	1,883,048	5,997,028	7,880,076
Total new users	13,678	11	13,689	866,997	8,339	875,336	593,064	3,966,614	4,559,678	409,309	2,022,064	2,431,373
Average DAUs	2,141	2	2,143	17,016	152	17,168	18,660	62,451	81,111	26,892	105,862	132,754
Average MAUs	13,677	11	13,688	96,171	861	97,032	82,706	422,341	505,047	110,823	530,272	641,095
Average MPUs	1,037	2	1,039	14,264	118	14,382	15,316	27,487	42,803	25,466	31,625	57,091
ARPPU (RMB)	69	13	69	256	705	259	505	244	337	680	355	500

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Notes:

1. *The operational data of Football Champion (最佳11人 — 冠軍球會) for the year ended December 31, 2019 and for the first three months ended March 31, 2020 was generated from the public testing during the year.*
2. *Football Champion (最佳11人 — 冠軍球會) was launched in April 2020.*
3. *The operational data of our game in overseas jurisdictions include users initially registering our games with recorded overseas IP addresses. For illustrative purpose only, the PRC excludes Hong Kong, Macau and Taiwan.*

Please refer to the section headed “Business — Existing game portfolio” for more information.

OUR PIPELINE GAMES

We have been expanding our games portfolio mainly through the self-development of new games and introduction of new language versions of our existing games. As of the Latest Practicable Date, we are in the process of developing three new mobile sports games. Please refer to the section headed “Business — Existing game portfolio — New games” for more information.

Business sustainability

We believe that our Group’s four existing mobile sports games (i.e. *Football Master (足球大師)*, *NBA Basketball Master (NBA籃球大師)*, *Football Champion (最佳11人 — 冠軍球會)* and *Total Football (最佳球會)*) and our three new mobile sports games in the pipeline have a prolonged lifecycle which enables our Group to achieve a long-term and sustainable business growth for the reasons below:

- Our mobile sports games enjoy a relatively longer lifecycle;
- We have plans to maintain the profitability of our existing and new mobile sports games; and
- Our introduction of new mobile sports games could foster our business growth and enhance our market position.

For details, please refer to the section headed “Business — Our Games Pipeline — Business sustainability”.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success and position us for continued growth:

- We are a passionate mobile sports game developer and operator in the PRC with a focus on sports simulation games;
- We have formed valuable and strategic relationships with IP right holders, including renowned sports league, sports associations and sports clubs, to create attractive game content;
- We have strong research and development as well as comprehensive data analytics capabilities that enable us to create attractive mobile sports games and to drive user engagement;
- We are able to implement efficient monetization strategies to retain the core group of loyal and paying users and maximize their in-game spending, as well as cost-effective advertising and marketing capabilities to attract new users; and
- We are led by an experienced and dedicated management team.

Please refer to the section headed “Business — Competitive Strengths” for more information.

OUR STRATEGIES

We intend to pursue the following strategies to further grow our business:

- Renew existing IP right licenses and obtain additional IP right licenses from sports leagues, sports associations and sports clubs for the development of our existing and new mobile sports games;
- Further solidify our marketing efforts to actively promote our games to both PRC and overseas markets; and

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- Further strengthen our talent pool in order to support our development of new mobile sports games and further improve our research and development capabilities.

Please refer to the section headed “Business — Our Strategies” for more information.

COMPETITIVE LANDSCAPE

According to the Frost & Sullivan Report, as of December 31, 2021, there were approximately 480 companies in the online sports game market in the PRC. The market is fragmented with many relatively small companies with insignificant market influence and dominated by the largest market player with approximately 19.6% of market share in terms of revenue from online sports game in 2021. In particular, China’s mobile game industry is evolving rapidly and is highly competitive, as manifested by the frequent introduction of new products and services, limited product lifecycle for certain game models, rapid introduction of new technological and equipment advancement, evolving industry standards and constantly changing user demands and preferences. Other than local sports game developers and publishers, we also compete with certain leading overseas sports game developers when their games are localized and published in the PRC. We compete primarily on a number of factors, including development capabilities, ability to secure the suitable IP right licenses, utilization of advanced technology, ability to prolong the lifecycle of games, user base and engagement, marketing and promotional strategies, relationships with major third-party distribution platforms and publishers and monetization tactics. We believe we compete favourably on these factors. However, other mobile game companies could have greater financial, technological and marketing resources, which may allow them to publish more quality games to compete with us and adversely affect our ability to attract and retain users. These companies, including other potential new entrants, may emerge and take advantage of the influence from social media to access to a large user base and network effects to grow rapidly.

Please refer to the sections headed “Industry Overview — Competitive Landscape Analysis” and “Business — Competition” for more information.

OUR USERS

Users of our games are our ultimate customers, which are usually mobile sports game enthusiasts due to the nature of our existing games launched. As we continue to launch more mobile sports games into the market, we had built up a steady growth of users in both the PRC and overseas markets. Due to our large customer base, our five highest paying users in aggregate contributed to less than 5% of the total revenue for each year during the Track Record Period.

Please refer to the section headed “Business — Our Users” for more information.

OUR SUPPLIERS

For the Track Record Period, purchases from our top five suppliers accounted for approximately 52.4%, 54.1%, 50.0% and 58.4% of our total purchases for the same periods, respectively, and purchases from our top supplier accounted for approximately 21.2%, 18.3%, 18.3% and 19.5% of our total purchases for the same periods, respectively. Our suppliers primarily include third-party distribution platforms, third-party publishers, third-party advertising and marketing service providers, server providers, and IP right holders. Please refer to section headed “Business — Our Suppliers” of this document.

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SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of Consolidated Statements of Comprehensive Income

The following table presents the summaries of items of the consolidated statements of comprehensive income of our Group in absolute amounts and as percentages to our total revenue for the periods indicated.

	2019		Year ended December 31,				Six months ended June 30,			
	RMB'000	%	2020	%	2021	%	2021	%	2022	%
			RMB'000		RMB'000		RMB'000		RMB'000	
							(Unaudited)			
Revenue	378,630	100.0	404,745	100.0	459,851	100.0	180,974	100.0	294,775	100.0
Cost of revenue	(207,529)	(54.8)	(224,354)	(55.4)	(238,324)	(51.8)	(98,332)	(54.3)	(145,910)	(49.5)
Gross profit	171,101	45.2	180,391	44.6	221,527	48.2	82,642	45.7	148,865	50.5
Other gains/(losses), net	669	0.2	(4,903)	(1.2)	(1,137)	(0.2)	733	0.4	1,034	0.3
Other income, net	962	0.3	1,931	0.5	3,319	0.7	1,354	0.8	3,594	1.2
Selling and marketing expenses	(60,278)	(15.9)	(62,889)	(15.5)	(85,590)	(18.6)	(31,992)	(17.7)	(73,445)	(24.9)
General and administrative expenses	(23,225)	(6.1)	(21,119)	(5.2)	(34,589)	(7.5)	(22,062)	(12.2)	(17,461)	(5.9)
Research and development expenses	(40,092)	(10.6)	(45,232)	(11.2)	(62,705)	(13.6)	(25,689)	(14.2)	(37,508)	(12.7)
(Net impairment losses)/reversal of impairment loss on financial assets	(129)	*	(3,788)	(0.9)	160	*	2	*	(1,772)	(0.6)
Operating profit	49,008	12.9	44,391	11.0	40,985	8.9	4,988	2.8	23,307	7.9
Finance income, net	1,524	0.4	401	0.1	741	0.2	183	0.1	570	0.2
Profit before income tax	50,532	13.3	44,792	11.1	41,726	9.1	5,171	2.9	23,877	8.1
Income tax (expense)/credit	(4,852)	(1.3)	(4,066)	1.0	(2,336)	(0.5)	1,858	1.0	(3,551)	(1.2)
Profit and total comprehensive income for the year, net of tax	45,680	12.1	40,726	10.1	39,390	8.6	7,029	3.9	20,326	6.9

* Less than 0.1%

Our net profit decreased by approximately RMB5.0 million or 10.9% from approximately RMB45.7 million in 2019 to RMB40.7 million in 2020, and further decreased by approximately RMB1.3 million, or 3.2%, to RMB39.4 million in 2021. Our net profit margin slightly decreased from 12.1% in 2019 to 10.1% in 2020, and further decreased to 8.6% in 2021. For the six months ended June 30, 2022, our net profit increased by approximately RMB13.3 million, or 190.0%, to approximately RMB20.3 million from approximately RMB7.0 million for the corresponding period 2021. During the same period, our net profit margin increased from approximately 3.9% to 6.9%. Please refer to the sections headed “Financial Information — Period to Period Comparison of Results of Operations”, “Financial Information — Consolidated Statements of Comprehensive Income” and “Accountant’s Report” in Appendix I for more information.

Non-HKFRSs Measure

During the Track Record Period, we recognized the net fair value changes on the Pre-[REDACTED] Convertible Bonds and the [REDACTED] expenses as non-recurring items in relation to the [REDACTED].

To supplement our consolidated financial statements which are presented in accordance with HKFRSs, we set forth in the table below the adjusted net profit of our Group for the periods indicated after adjusting for the net fair value changes on the Pre-[REDACTED] Convertible Bonds and the [REDACTED] expenses as a non-HKFRSs measure:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit and total comprehensive income, net of tax	45,680	40,726	39,390	7,029	20,326
Add:					
Net fair value changes on the Pre-[REDACTED] Convertible Bonds ⁽¹⁾	—	—	1,479	—	1,314
[REDACTED] Expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net profit (unaudited) (non-HKFRSs measure)⁽²⁾⁽³⁾	49,878	45,496	56,726	20,287	27,333

SUMMARY

Notes:

1. We define net fair value changes on the Pre-[REDACTED] Convertible Bonds by netting off the fair value loss on the Pre-[REDACTED] Convertible Bonds measured at fair value through profit or loss by the fair value gain on extension of the Pre-[REDACTED] Convertible Bonds measured at fair value through profit or loss.
2. We define adjusted net profit as profit and total comprehensive income, net of tax, for the period adjusted by adding back the net fair value changes on the Pre-[REDACTED] Convertible Bonds and the [REDACTED] expenses. We eliminate the potential impacts of such items that our management does not consider to be indicative of our operating performance, as they are one-off expenses in relation to the [REDACTED]. In particular, the net fair value changes on the Pre-[REDACTED] Convertible Bonds and the [REDACTED] expenses will not recur after the [REDACTED]. Therefore, the adjustment complies with guidance letter HKEx-GL103-19 issued by the Stock Exchange.
3. We believe that the presentation of such non-HKFRSs measure when shown in conjunction with the corresponding HKFRSs measure provides useful information to potential [REDACTED] and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of the net fair value changes on the Pre-[REDACTED] Convertible Bonds and [REDACTED] expenses, which do not reflect our ongoing operating performance. The use of the non-HKFRSs measure has limitations as any analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to, the analysis of our results of operations or financial condition as reported under the HKFRSs. In addition, the non-HKFRSs measure may be defined differently from similar terms used by other companies.

KEY FINANCIAL RATIOS

The following table sets forth our key financial metrics for the periods indicated:

	Year ended December 31,			Six months ended	
	2019	2020	2021	June 30, 2021	2022
Gross profit margin	45.2%	44.6%	48.2%	45.7%	50.5%
Net profit margin ⁽¹⁾	12.1%	10.1%	8.6%	3.9%	6.9%
Return on equity ⁽²⁾	36.4%	27.8%	36.6%	N/A	N/A
Return on assets ⁽³⁾	19.3%	16.1%	13.5%	N/A	N/A
Interest coverage ratio ⁽⁴⁾	251.3 times	72.5 times	55.6 times	13.2 times	46.9 times
	As at December 31,			As at	
	2019	2020	2021	June 30, 2021	2022
Current ratio ⁽⁵⁾	1.9 times	2.1 times	1.4 times	1.5 times	1.5 times
Quick ratio ⁽⁶⁾	1.9 times	2.1 times	1.4 times	1.5 times	1.5 times
Debt-to-equity ratio ⁽⁷⁾	N/A	N/A	N/A	N/A	N/A

Notes:

1. Net profit margin equals to profit for the year/period divided by revenue for the year/period, multiplied by 100%.
2. Return on equity equals profit attributable to owners of our Company for the year divided by the closing balance of the equity attributable to owners of our Company, multiplied by 100%.
3. Return on assets equals profit for the year divided by the closing balance of total assets, multiplied by 100%.
4. Interest coverage ratio equals to operating profit for the year/period divided by interest expenses for the year/period.
5. Current ratio equals to total current assets divided by total current liabilities as at the year/period end date.
6. Quick ratio equals to total current assets less inventories divided by total current liabilities as at the year/period end date.
7. Debt-to-equity ratio equals to net debt divided by total equity as at the year/period end date. Net debt is defined to include all interest bearing bank borrowings and financial liability at fair value through profit or loss net of cash and cash equivalents.

Our return on equity decreased from approximately 36.4% for the year ended December 31, 2019 to approximately 27.8% for the year ended December 31, 2020, primarily due to the increase in equity attributable to owners of our Company resulted from the increase in retained earnings. Our return on equity increased from approximately 27.8% for the year ended December 31, 2020 to approximately 36.6% for the year ended December 31, 2021 mainly due to the decrease in equity attributable to owners of our Company resulted from the decrease in retained earnings mainly driven by the dividends declared and distributed of RMB80.0 million during 2021.

Our return on assets decreased from approximately 19.3% for the year ended December 31, 2019 to 16.1% for the year ended December 31, 2020 and further decreased to approximately 13.5% primarily due to the increase in total assets during the Track Record Period.

SUMMARY

Our interest coverage ratio dropped significantly from approximately 251.3 times for the year ended December 31, 2019 to 72.5 times for the year ended December 31, 2020, primarily attributable to the decrease in operating profit and the increase in interest expense in 2020. Our interest coverage ratio further dropped to approximately 55.6 times for the year ended December 31, 2021, primarily attributable to the decrease in operating profit in 2021. For the six months ended June 30, 2022, our interest coverage ratio increased to approximately 46.9 times from approximately 13.2 times for the corresponding period in 2021, primarily attributable to the increase in operating profit.

Our current ratio increased slightly from approximately 1.9 times for the year ended December 31, 2019 to 2.1 times as at December 31, 2020 primarily due to an increase in our cash and cash equivalents. Our current ratio decreased from approximately 2.1 times as at December 31, 2020 to approximately 1.4 times as at December 31, 2021 mainly due to an increase in financial liability at fair value through profit or loss as we recognized the Pre-[REDACTED] Convertible Bonds as a current financial liability during the year ended December 31, 2021. Our current ratio remained relatively stable at approximately 1.5 times as at June 30, 2022.

Our quick ratios for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 were the same as our current ratio as we maintained no inventory during the same periods.

Our Group did not have any interest-bearing bank borrowings as at December 31, 2019, 2020 and 2021 and June 30, 2022. Though we recognized the Pre-[REDACTED] Convertible Bonds as a financial liability at fair value through profit or loss of approximately RMB65.6 million and RMB67.0 million as at December 31, 2021 and June 30, 2022, respectively, we had sufficient cash and cash equivalents of approximately RMB188.4 million and RMB188.5 million as at December 31, 2021 and June 30, 2022, respectively to cover the debt position. Therefore, as we did not record any net debt during the Track Record Period, the debt-to-equity ratio is not applicable to us for the relevant periods.

Please refer to the sections headed “Financial Information — Period to Period Comparison of Results of Operations”, “Financial Information — Key financial ratios” and “Accountant’s Report” in Appendix I for more information.

Selected Items of Consolidated Statements of Financial Position

	As at 31 December			As at June 30,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Current assets	191,675	211,594	255,459	277,290
Non-current assets	45,059	41,141	36,903	44,711
Liabilities				
Current liabilities	99,012	102,978	176,913	186,961
Non-current liabilities	10,383	1,692	8,136	8,441
Net Current assets	<u>92,663</u>	<u>108,616</u>	<u>78,546</u>	<u>90,329</u>

Our net current assets increased by approximately RMB15.9 million or 17.2%, from approximately RMB92.7 million as at December 31, 2019 to approximately RMB108.6 million as at December 31, 2020, primarily due to (i) an increase in cash and cash equivalents generated from the increase in cash from operating activities; and (ii) a decrease in current income tax liabilities; (iii) an increase in contract costs, partially offset by an increase in contract liabilities and a decrease in trade receivables. Our net current assets decreased by approximately RMB30.1 million, or 27.7%, from approximately RMB108.6 million as at December 31, 2020 to approximately RMB78.5 million as at December 31, 2021, primarily due to (i) the settlement of a dividend of RMB80.0 million declared during 2021; and (ii) an increase in other payables and accruals, partially offset by an increase in trade receivables and an increase in cash and cash equivalents, an increase in current portion of prepayment, deposits and other receivables and a decrease in trade payables. As at June 30, 2022, our net current assets then increased by approximately RMB11.8 million or 15.0%, to approximately RMB90.3 million, primarily due to (i) an increase of trade receivables; (ii) an increase in current portion of prepayment, deposits and other receivables; and (iii) an increase in current income tax receivables; and (iv) a decrease in other payables and accruals, partially offset by an increase in contract liabilities and an increase in current income tax liabilities. As at July 31, 2022, we maintained an unaudited net current assets of approximately RMB88.9 million.

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SUMMARY

Please refer to the sections headed “Financial Information — Discussion of Certain Key Consolidated Statements of Financial Position” and “Accountant’s Report” in Appendix I for more information.

Selected Items of Consolidated Statements of Cash Flows

	Year ended 31 December,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Net cash generated from operating activities	90,633	77,715	67,831	2,291	11,835
Net cash used in investing activities	(4,348)	(30,179)	(18,484)	(20,805)	(8,854)
Net cash used in financing activities	(12,012)	(23,174)	(23,326)	(19,741)	(4,265)
Net increase/(decrease) in cash and cash equivalents	74,273	24,362	26,021	(38,255)	(1,284)
Cash and cash equivalents at end of the year/period	145,032	163,723	188,410	124,776	188,493

We had cash and cash equivalents of approximately RMB145.0 million, RMB163.7 million, RMB188.4 million and RMB188.5 million as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from cash generated from our operating activities and our cash and bank balances comprising the proceeds from the Pre-[REDACTED] Convertible Bonds subscribed by Garena Ventures. As at July 31, 2022, our cash and cash equivalents increased to approximately RMB205.1 million.

Please refer to the sections headed “Financial Information — Liquidity and Capital Resources” “Accountant’s Report” in Appendix I for more information.

DIVIDEND

Under the Articles of Association, our Company may declare dividends in any currency to be paid to the shareholders but no dividend shall be declared in excess of the amount recommended by the Board. The Articles of Association provides that dividends may be declared and paid out of the profits of our Company, realized or unrealized, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Act. For the year ended December 31, 2020, our Group declared and approved dividends amounting to approximately RMB20.0 million, which were subsequently settled in full during the year ended December 31, 2020. For the year ended December 31, 2021, our Group declared and approved dividends of RMB80.0 million, which was settled in full during the year ended December 31, 2021.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRSs. PRC laws also require a foreign-invested enterprise to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Distributions from us and our subsidiaries may also become subject to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

The amount of dividend actually distributed to our shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our shareholders. Our Board has the absolute discretion to recommend any dividend. Our historical dividend distribution record in the past may not be used as reference or basis to determine the level of dividends that may be declared or paid by our Company in the future, and there is no assurance that dividends of any amount will be declared or be distributed in any year. Currently we do not have a formal dividend policy or a fixed dividend distribution ratio.

Please refer to the section headed “Financial Information — Dividend” for more information.

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SUMMARY

RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in the section headed “Risk Factors” in this document. You should read that section in its entirety carefully before you decide to [REDACTED] in our Shares. Some of the major risks we face include:

- If we fail to officially launch new games according to the contemplated timetable or at all or we officially launch our new games at the same time as other popular games released by third parties, our business, financial condition and results of operations could be materially and adversely affected.
- A significant majority of our revenue is derived from a limited number of games, which also heavily relies on the lifecycle of such games, in recent fiscal periods.
- Our revenue growth during the Track Record Period may not be indicative of our future growth, and our short operating history makes it difficult for us to evaluate our growth prospects and future financial results.
- We may not be able to anticipate or successfully adapt to new trends and may face increasingly intense competition in the mobile game industry which makes it difficult for us to evaluate our business and prospects.
- If we fail to renew the IP licensing agreements with IP right holders or obtain new IP right licenses, the quality and appeal of our games may significantly decrease.

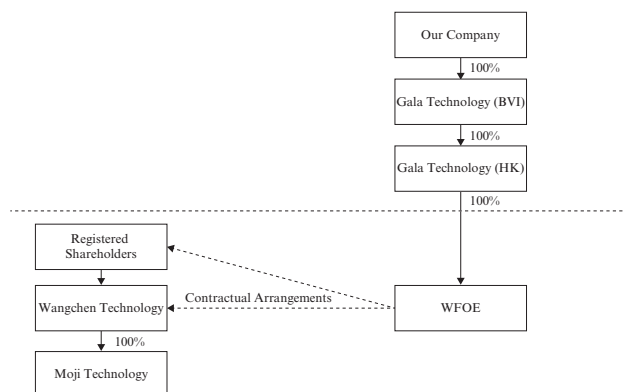
ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We put in place an ESG policy which sets out key ESG-related objectives and responsibilities. Under the ESG policy, we will establish an ESG Oversight Committee under our Board, and this ESG Oversight Committee will have the responsibility for the identification, evaluation, prioritization and management of material ESG-related matters. Also, we will continue to monitor and evaluate any potential climate related issues and risks that may affect our business and will promptly respond to minimize such impact. For further details, please see “Business — Environmental, Social and Governance”.

CONTRACTUAL ARRANGEMENTS

As foreign investment in certain areas of the industry in which we currently operate is subject to restrictions and prohibitions under current PRC laws and regulations, we have determined that it is not viable for our Company to hold our PRC Operating Entities directly through equity ownership. Instead, in line with the common practice in value-added telecommunications services industries in the PRC which are subject to foreign investment restrictions and prohibitions, we would gain effective control over, and receive substantially all the economic benefits generated by the businesses currently operated by our PRC Operating Entities through the Contractual Arrangements between WFOE, on the one hand, and Wangchen Technology and the Registered Shareholders of Wangchen Technology, on the other hand. In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our operations, we implemented the Contractual Arrangements with regards to our PRC Operating Entities.

The following simplified diagram illustrates the flow of economic benefits from our PRC Operating Entities to our Group as stipulated under the Contractual Arrangements.



Please refer the section headed “Contractual Arrangements” for more information.

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SUMMARY

OUR LARGEST SHAREHOLDER

Immediately upon completion of the [REDACTED], the [REDACTED] and full conversion of the Pre-[REDACTED] Convertible Bonds and without taking into account any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme, Mr. Jia will, via Great Shine, beneficially own and control approximately [REDACTED]% of the issued share capital our Company and will be our Largest Shareholder.

Great Shine is an investment holding company which is wholly owned by Mr. Jia. Mr. Jia is one of our Founders, the chairman of our Board, one of our executive Directors and our chief executive officer. For Mr. Jia’s background, please see “Directors and Senior Management” in this document. Neither Mr. Jia nor any of his close associates (including Great Shine but other than any member of our Group) is interested in any business which is, whether directly or indirectly, in competition with our business.

CONNECTED TRANSACTIONS

We have entered into the Contractual Arrangements, which are expected to continue after the [REDACTED] and will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon [REDACTED]. Please refer to the sections headed “Connected Transactions” and “Waiver from Strict Compliance with the Requirements under the Listing Rules.” in this document.

PRE-[REDACTED] INVESTMENTS

The Onshore Pre-[REDACTED] Investors made pre-[REDACTED] investments in Wangchen Technology, the consideration of which was settled between March 2015 and April 2021. Based on the total consideration paid by the existing Onshore Pre-[REDACTED] Investors for their respective Onshore Pre-[REDACTED] Investments and their respective shareholding in our Company (through their offshore investment vehicles) immediately upon completion of the [REDACTED] (assuming full conversion of the Pre-[REDACTED] Convertible Bonds), the respective Onshore Pre-[REDACTED] Investments represent a discount to the mid-point of the [REDACTED] range of approximately [REDACTED]% to [REDACTED]%. Pursuant to the Reorganization, our Company issued and allotted Shares to the offshore investment vehicles of the beneficial owners of Wangchen Technology (including, among others, the existing Onshore Pre-[REDACTED] Investors) to substantially reflect their original beneficial shareholding in Wangchen Technology at our Company’s level. The Shares held by the offshore investment vehicles of the existing Onshore Pre-[REDACTED] Investors as of the Latest Practicable Date and the Shares to be issued to them pursuant to the [REDACTED] are not subject to any lock-up period after the [REDACTED] pursuant to the terms of the Onshore Pre-[REDACTED] Investments. Please refer to “Pre-[REDACTED] Investments — The Onshore Pre-[REDACTED] Investments” and “Reorganization — 7. Issue of Shares to certain offshore investment vehicles to substantially reflect the original beneficial shareholding in Wangchen Technology” in the section headed “History, Reorganization and Corporate Structure” in this document.

Garena Ventures, a wholly-owned subsidiary of Sea Limited which is listed on the New York Stock Exchange (ticker symbol: SE), made a pre-[REDACTED] investment in our Company by way of the [REDACTED] of the Pre-[REDACTED] Convertible Bonds at a consideration of HK\$[REDACTED], which was settled on June 21, 2021. The Pre-[REDACTED] Convertible Bonds, with a total principal amount of HK\$[REDACTED] and a conversion price of HK\$[REDACTED] per Share (which approximates to the mid-point of the [REDACTED] range), may be converted into [REDACTED] Shares, representing approximately [REDACTED]% of the issued share capital of our Company immediately upon [REDACTED] (assuming that there is no adjustment to the conversion price and assuming full conversion of the Pre-[REDACTED] Convertible Bonds). The Shares under the Pre-[REDACTED] Convertible Bonds are subject to a lock-up period of 180 days from the [REDACTED] provided that (a) the Shares may be transferred to Garena Ventures’ wholly-owned subsidiary or affiliate on the condition that such wholly-owned subsidiary or affiliate shall undertake to comply with such lock-up undertaking and remains a subsidiary of Sea Limited; and (b) any transfer of shares or other securities of Sea Limited shall not be restricted. Please refer to the section headed “History, Reorganization and Corporate Structure — Pre-[REDACTED] Investments — The Pre-[REDACTED] CB Subscription” in this document.

COMPLIANCE

Save as disclosed in the section headed “Business — Legal Proceedings and Compliance — Non-compliance incidents with respect to Social Insurance and Housing Provident Fund Contributions”, our Directors confirm that we have no other material and systemic non-compliance of applicable laws and regulations in the PRC that had or would reasonably be expected to have material financial or operational impact on our business during the Track Record Period and up to the Latest Practicable Date. We are of the view that we have complied, in all material respects, with the relevant laws and regulations in the jurisdictions of our main operations during the Track Record Period and up to the Latest Practicable Date.

SUMMARY

RECENT DEVELOPMENT

On June 16, 2021, our Company entered into the Pre-[REDACTED] CB Subscription Agreement with, among others, Garena Ventures, pursuant to which Garena Ventures agreed to [REDACTED] for the Pre-[REDACTED] Convertible Bonds in the principal amount of HK\$[REDACTED] and the issuance of the Pre-[REDACTED] Convertible Bonds by our Company to Garena Ventures was completed on June 21, 2021. On May 31, 2022, our Company and Garena Ventures executed a supplemental deed to extend the maturity date of the Pre-[REDACTED] Convertible Bonds from June 6, 2022 to June 6, 2023. For further details, please see the section headed “History, Reorganization and Corporate Structure — Pre-[REDACTED] Investments — The Pre-[REDACTED] CB Subscription”. The [REDACTED] from the Pre-[REDACTED] CB Subscription may be used for research and development expenditure for existing and new games of our Company. As at the Latest Practicable Date, approximately RMB62.0 million of the [REDACTED] from the Pre-[REDACTED] CB Subscription had been used for the aforesaid purpose.

As a mobile sports games developer, publisher and operator, our business and results of operations depend on our ability to effectively deal with outbreak of health pandemics, natural disasters and other extraordinary events. For example, since the outbreak of COVID-19 pandemic throughout China and other countries and regions, a number of precautionary and control measures have been implemented worldwide to contain the virus. Government efforts to contain the spread of COVID-19 pandemic, including city lockdowns or “stay-at-home” orders, widespread business closures, restrictions on travel and emergency quarantines, have caused significant and unprecedented disruptions to the global economy and normal business operations across sectors and countries. However, the COVID-19 pandemic has caused minimal impact on our business up to the Latest Practicable Date in 2022. Based on the unaudited consolidated management accounts of our Group, we recorded an increase in revenue of approximately 66.9% for the seven months ended July 31, 2022 as compared to the corresponding period in 2021 mainly attributable to the significant growth of revenue generated from *Football Champion* (最佳11人 — 冠軍球會) after its expansions in the overseas markets since the second half of 2021.

In July 2022, we launched our new mobile sports action simulation game, *Total Football* (最佳球會) in the PRC, New Zealand and Australia. *Total Football* (最佳球會) is our first self-developed mobile football action simulation game which incorporates the state of art 3D gameplay scenes and more advanced AI technology to enhance users’ sensational experience in the virtual sports matches by the application of manual steering skills. By virtue of the seamless gameplay with sophisticated action animation, *Total Football* (最佳球會) has been featured and demonstrated on the display of the latest Apple iPad model as of the Latest Practicable Date.

[REDACTED] STATISTICS

All statistics in the following table are based on the assumptions that [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED].

	Based on an [REDACTED] of HK\$[REDACTED] ⁽¹⁾	Based on an [REDACTED] of HK\$[REDACTED] ⁽²⁾
Market capitalization of our Shares	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	HK\$[REDACTED] (RMB[REDACTED])	HK\$[REDACTED] (RMB[REDACTED])

Notes:

- (1) The calculation of market capitalization is based on the assumption of full conversion of the Pre-[REDACTED] Convertible Bonds and hence [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED] based on an [REDACTED] of HK\$[REDACTED] per Share.
- (2) The calculation of market capitalization is based on the assumption of full conversion of the Pre-[REDACTED] Convertible Bonds and hence [REDACTED] Shares expected to be in issue immediately upon the completion of the [REDACTED] based on an [REDACTED] of HK\$[REDACTED] per Share.
- (3) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to June 30, 2022. In particular, the unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments as set out in “Appendix II — Unaudited Pro Forma Financial Information — A. Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets” to this document and on the basis that [REDACTED] Shares were in issue assuming that the [REDACTED] and the [REDACTED] has been completed on June 30, 2022 without taking into account any Shares to be issued pursuant to the conversion or redemption of the Pre-[REDACTED] Convertible Bonds issued on June 21, 2021 in the section headed “History, Reorganization and Corporate Structure”, any Shares which may be issued under the Share Option Scheme or any Shares which may be issued or repurchased by our Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed “Share Capital” in this document. Any Shares to be issued upon full or partial conversion or redemption of the Pre-[REDACTED] Convertible Bonds was not considered since the [REDACTED] has yet to be determined at the date of this Document.

SUMMARY

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED] and the [REDACTED]. We estimate that our [REDACTED] expenses (including [REDACTED]) will be approximately RMB[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per share, being the mid-point of the indicative [REDACTED] range), of which approximately RMB[REDACTED] is directly attributable to the issue of the Shares to the public and to be capitalized, and approximately RMB[REDACTED] has been or is expected to be expensed in our consolidated statements of comprehensive income of which approximately RMB[REDACTED], RMB[REDACTED], RMB[REDACTED] and RMB[REDACTED] were charged for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. An additional amount of approximately RMB[REDACTED] is expected to be recognized in our combined statements of comprehensive income for the year ending December 31, 2022 upon [REDACTED].

Assuming an [REDACTED] of HK\$[REDACTED] per share, being the mid-point of the indicative [REDACTED] range, our [REDACTED] expenses of approximately RMB[REDACTED] will amount to approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED], of which the [REDACTED] and non-[REDACTED] portion will be approximately RMB[REDACTED] and RMB[REDACTED], respectively. Among the non-[REDACTED] portion of the [REDACTED] expenses, approximately RMB[REDACTED] will be accounted for as professional parties expenses and the remaining RMB[REDACTED] will be accounted for as non-professional parties expenses.

Please refer to the section headed “Financial Information — [REDACTED] Expenses” for more information.

USE OF [REDACTED]

The aggregate [REDACTED] that we expect to receive from the [REDACTED] (after deducting [REDACTED] fees and [REDACTED] and other estimated expenses in connection with the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share) will be approximately HK\$[REDACTED] (equivalent to RMB[REDACTED]). We intend to use the [REDACTED] from the [REDACTED] as follows:

- Approximately [REDACTED]% of our total estimated [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for renewing existing IP right licenses and obtaining additional IP right licenses from sports leagues, sports associations and sports clubs for the development of existing and new mobile sports games;
- Approximately [REDACTED]% of our total estimated [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for solidifying our marketing efforts to actively promote our games to both PRC and overseas markets;
- Approximately [REDACTED]% of our total estimated [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for further strengthening our talent pool and further improving our research and development capabilities; and
- Approximately [REDACTED]% of our total estimated [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for working capital and general corporate purposes.

Please refer to the section headed “Future Plans and Use of [REDACTED]” in this document for more information.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, since June 30, 2022 and up to the date of this document, there has been no material adverse change in our financial or trading position and no event which would materially affect the information shown in our consolidated financial statements included in the Accountant’s Report in Appendix I to this document.