
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%. Mobile sports simulation games primarily comprise mobile sports management simulation games and mobile sports action simulation games. 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 overall online sports game market includes all sports-themed games accessible to users on the internet, whereas, mobile sports simulation games refer specifically to online sports simulation games that are available 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.

Our Existing Game Portfolio

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.

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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 19 months, 57 months and 88 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) was featured and demonstrated on the display of Apple iPad model. 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 in December 2022 or January 2023, by the second half of 2023 and by 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. 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.

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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	%
<i>Football Master (足球大師)</i>	174,693	46.2	145,369	35.9	134,988	29.4	67,546	37.3	55,264	18.7
<i>NBA Basketball Master (NBA籃球大師)</i>	195,905	51.7	216,479	53.5	176,693	38.4	80,703	44.6	83,715	28.4
<i>Football Champion (最佳11人 — 冠軍球會)</i>	68	*	41,368	10.2	148,170	32.2	32,725	18.1	155,796	52.9
<i>Chinese Super League (冠軍中超OL)⁽¹⁾</i>	7,205	1.9	857	0.2	—	—	—	—	—	—
<i>Idol Love Story (戀愛吧!偶像)⁽¹⁾</i>	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,									
	2019		2020		2021		2021		2022		2022		Gross profit							
	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin						
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%						
<i>Sports mobile games</i>	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
<i>Non-sports mobile games</i>	759	0.2	149	19.6	672	0.2	197	29.3	—	—	—	—	—	—	—	—	—	—	—	
<i>Others*</i>	—	—	(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”.

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The table below sets forth a breakdown of top up amount⁽¹⁾ of our users by geographical locations⁽²⁾ 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	%
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

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. The difference between the top up amount and the revenue recognized by our Group is mainly attributable to (i) deferred revenue recognized in accordance with the applicable accounting standards which results in the timing difference between the top up amount and revenue recognized; (ii) exchange differences arising from different exchange rates used by our Group and third-party distribution platforms; and (iii) applicable withholding tax withheld by third-party distribution platforms on behalf of our Group arising from our overseas top up amount.
- (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.

Game Development

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 game developer and publisher 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.

Game Registration

Prior to publishing our games in the PRC, we would apply for the required game registration with the relevant government authorities. NPPA has been responsible for the approval of online game registration and issuance of game publication numbers since March 2018. NPPA at the national level temporarily suspended approval of game registration and issuance of publication numbers for online games in July 2021 and then resumed to issue game publication numbers in April 2022. Nevertheless, during the Track Record Period and up to the Latest Practicable Date, we have not experienced any material difficulty in completing the game registration and obtaining the game publication numbers for our launched games in the PRC. For details, please refer to the sections

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headed “Regulatory Overview — Regulations on Online Games Publishing and Operation — Online Game Examination and Publishing” and “Business — Our Business Model — Game registration” in this document.

Game Publishing

During the Track Record Period, we mainly relied on self-publishing for games developed by our Group. 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”.

Post-launch Operations

After a game is launched, we will regularly upgrade our games to reflect users’ feedback, market data collected and analysis conducted 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	%	2022	%
			RMB'000		RMB'000		RMB'000		RMB'000	
	(Unaudited)									
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

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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”.

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 nine key operating metrics, namely (i) total registered users; (ii) total new users; (iii) average DAUs; (iv) average MAUs; (v) active users retention rate; (vi) average MPUs; (vii) paying users retention rate; (viii) ARPPU; and (ix) acquisition cost per new user.

The following table sets forth the aggregate active users retention rate and the aggregate paying users retention rate of our existing games during the Track Record Period (i.e. *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)).

	For the year ended December 31,			For the six months ended
	2019	2020	2021	June 30, 2022
Active users retention rate (%)	8.4	5.2	7.3	5.6
Paying users retention rate (%)	5.0	6.4	5.3	6.7

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

	2019			For the year ended December 31, 2020			2021			For the six months ended June 30, 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
Active users retention rate (%)	26.0	16.8	21.1	14.0	4.1	6.5	17.1	4.4	6.9	12.4	2.6	4.6
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
Paying users retention rate (%)	5.8	6.8	6.0	8.6	11.2	9.1	18.7	18.3	18.6	18.0	16.6	17.6
ARPPU (RMB)	772	339	682	1,300	476	1,053	1,626	790	1,371	1,585	1,019	1,442
Acquisition cost per new user (RMB) ⁽²⁾	—	—	8.1	—	—	1.3	—	—	0.1	—	—	*

* less than 0.01

Notes:

- 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 acquisition cost per new user is calculated holistically without differentiating users from the PRC and overseas markets as our advertisements and marketing activities were mainly conducted on various online platforms or channels accessible by users across different countries.

[#] *Football Master (足球大師)* is named as “*足球大師 — 黃金一代*” in the PRC and “*Football Master*” in all other overseas markets as of the Latest Practicable Date.

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

	2019			For the year ended December 31, 2020			2021			For the six months ended June 30, 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
Active users retention rate (%)	6.6	10.7	6.8	4.1	12.8	4.6	7.6	6.7	7.6	3.9	3.4	3.8
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
Paying users retention rate (%)	4.5	6.8	4.6	5.3	7.6	5.4	3.7	7.2	3.8	4.7	6.0	4.8
ARPPU (RMB)	362	562	372	389	797	403	454	752	464	395	995	404
Acquisition cost per new user (RMB) ⁽²⁾	—	—	8.9	—	—	11.6	—	—	5.9	—	—	4.3

Notes:

- 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 acquisition cost per new user is calculated holistically without differentiating users from the PRC and overseas markets as our advertisements and marketing activities were mainly conducted on various online platforms or channels accessible to users across different countries.

[#] *NBA Basketball Master (NBA籃球大師)* is named as “*NBA籃球大師*” in the PRC, Hong Kong and Macau and “*NBA大師Mobile*” in Taiwan as of the Latest Practicable Date.

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

	2019 ⁽¹⁾		For the year ended December 31						For the six months ended June 30,					
	PRC	Overseas ⁽³⁾	Total	2020 ⁽¹⁾⁽²⁾		2021		2021		2022		Total		
				PRC	Overseas ⁽³⁾	Total	PRC	Overseas ⁽³⁾	Total	PRC	Overseas ⁽³⁾	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		
Active users retention rate (%) ⁽²⁾	—	—	—	—	—	—	7.5	—	7.5	9.0	7.7	7.9		
Average MPUs	1,037	2	1,039	14,264	118	14,382	15,316	27,487	42,803	25,466	31,625	57,091		
Paying users retention rate (%) ⁽²⁾	—	—	—	—	—	—	4.9	—	4.9	9.0	6.3	7.1		
ARPPU (RMB)	69	13	69	256	705	259	505	244	337	680	355	500		
Acquisition cost per new user (RMB) ⁽⁴⁾	—	—	28.9	—	—	23.7	—	—	10.2	—	—	23.2		

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/period.
2. *Football Champion* (最佳11人 — 冠軍球會) was launched in the PRC in April 2020 and subsequently in the overseas markets in 2021.
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.
4. The acquisition cost per new user is calculated holistically without differentiating users from the PRC and overseas markets as our advertisements and marketing activities were mainly conducted on various online platforms or channels accessible to users across different countries.

Football Champion (最佳11人 — 冠軍球會) is named as “最佳11人 — 冠軍球會” in the PRC, “Football Master 2” in Vietnam, “ベストイレブン — CHAMPIONS CLUB” in Japan and “Football Master 2 — Soccer Star” in all other overseas markets as of the Latest Practicable Date.

The total registered users of *Football Master* (足球大師) experienced a growth at a CAGR of approximately 44.7% from 2019 to 2021. The ARPPU of *Football Master* (足球大師) also experienced a continuous growth at a CAGR of approximately 41.8% from 2019 to 2021, which was mainly attributable to our ability to constantly engage and retain the core groups of users who demonstrate high paying potential and substantial purchasing capability, and our strategy to maximize the monetization of such existing paying users.

The total registered users of *NBA Basketball Master* (NBA籃球大師) experienced a growth at a CAGR of approximately 34.5% from 2019 to 2021. The ARPPU of *NBA Basketball Master* (NBA籃球大師) also increased at a CAGR of approximately 11.7% from 2019 to 2021, mainly due to our continuous efforts to enhance and upgrade the game through offering new content and adding new selection of in-game virtual items.

The total registered users of *Football Champion* (最佳11人 — 冠軍球會) significantly increased by approximately 512.9% from 2020 to 2021 which was mainly due to our efforts to launch our game in Hong Kong, Vietnam and South Korea during August and September 2021. The ARPPU of *Football Champion* (最佳11人 — 冠軍球會) also increased by approximately 30.1% from 2020 to 2021.

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For details of the operational performance of each of our existing mobile sports games, please refer to the section headed “Business — Existing game portfolio” in this document.

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 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 research and development as well as 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.

SUMMARY

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
- 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.

SUMMARY

User concentration and our mitigation measures

Due to the Group’s strategies to constantly engage and retain the core group of users who demonstrate high paying potential and substantial purchasing capabilities and to maximize the monetization of such paying users, our top 1% paying users (by top up amount) contributed to approximately 71.7%, 75.0%, 71.5% and 64.7% of the total top up amount of our Group during the corresponding period. According to the Frost & Sullivan Report and to the best knowledge of our Directors, it is a common phenomenon in the online game industry that a relatively small group of paying users has contributed to a substantial proportion of the total revenue generated.

In order to mitigate the concentration risk of our revenue contribution by a small group of paying users, our Group has carried out measures including to (i) continue to develop and launch new games (including *MLB Baseball Master* (*MLB*棒球大師), *NBA Basketball Action* (*NBA*操作籃球) and *NFL American Football Master* (*NFL*橄欖球大師)) in the PRC and overseas markets to acquire more new users to broaden our base of paying users; and (ii) further intensify our marketing efforts to maintain the popularity of our existing mobile sports games and promoting our new mobile sports games and to encourage more in-game spending by all of our paying users in order to diversify the revenue contribution from our top paying users. Please refer to the section headed “Business — Our Users — User concentration and our mitigation measures” of this document for details.

OUR SUPPLIERS

Our top five suppliers

Purchases from our five largest suppliers in each year/period during the Track Record Period amounted to approximately RMB141.1 million, RMB152.6 million, RMB158.5 million and RMB126.4 million, representing approximately 52.4%, 54.1%, 50.0% and 58.4% of our total purchases for the respective year/period, respectively, and purchases from our largest supplier in each year/period during the Track Record Period amounted to approximately RMB57.2 million, RMB51.6 million, RMB57.9 million and RMB42.2 million, representing approximately 21.2%, 18.3%, 18.3% and 19.5% of our total purchases for the respective year/period, 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 for details.

Our top five advertising and marketing channels

During the Track Record Period, approximately 86.1%, 85.2%, 87.3% and 89.9% of our total advertising and marketing expenses were incurred to promote and market our Group’s games via our top five advertising and marketing channels, respectively. Please refer to the sections headed “Business — Our Suppliers — Our top five advertising and marketing channels” and “Financial Information — Description of Major Components of Our Results of Operations — Selling and marketing expenses” in this document for details.

RECENT REGULATORY DEVELOPMENT

On July 10, 2019, the MCT issued the Decision of the Ministry of Culture and Tourism on revocation the Interim Measures for the Administration of Online Games and the Measures for Planning and Administration of Tourism Development (《文化和旅遊部關於廢止〈網絡遊戲管理暫行辦法〉和〈旅遊發展規劃管理辦法〉的決定》), which specifies that the Interim Administrative Measures

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for Online Games (《網絡遊戲管理暫行辦法》) (the “**Online Game Measures**”) was abolished by the MCT on July 10, 2019. Since the abolishment of the Online Game Measures and as of the Latest Practicable Date, no new nor update on the relevant PRC law or regulation (including official guidelines) that comprehensively regulates the online game operation activities has been promulgated. Please refer to the section headed “Regulatory Overview — Regulations on Online Games Publishing and Operation” for more details.

On August 30, 2021, the NPPA issued the Notice on Further Strengthening Regulation to Effectively Prevent Online Gaming Addiction among Minors (《關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》), which took effect on September 1, 2021. Compared with the Notice on Preventing Minors from Addiction to Online Games (《國家新聞出版署關於防止未成年人沉迷網絡遊戲的通知》) issued by the NPPA on October 25, 2019, the Notice on Further Strengthening Regulation to Effectively Prevent Online Gaming Addiction among Minors imposes stricter time limits for playing online games by minors (individuals under the age of 18) and requires that all the online games must be connected to the real-name registration and game addiction prevention system of the NPPA. On March 14, 2022, the CAC published the revised Regulations on the Online Protection of Minors (Draft for Comments) (《未成年人網絡保護條例(徵求意見稿)》), which sets out in details the responsibilities of the online platforms, online product or service providers, personal information processors, and manufacturers and sellers of smart terminal products. As of the Latest Practicable Date, the Minor Protection Draft has not been formally adopted. Please refer to the section headed “Regulatory Overview — Regulations on Anti-addiction System and Control of Myopia” for more details.

On December 28, 2021, the CAC and 12 other government authorities published a new version of the Measures for Cybersecurity Review (the “**Measures for Cybersecurity Review 2022**”), which came into effect on February 15, 2022. The Measures for Cybersecurity Review 2022 provides that the relevant operators shall apply with the Cybersecurity Review Office of CAC for a cybersecurity review under the following circumstances: (i) internet platform operators holding over one million individuals’ personal information aiming for foreign listing, (ii) operators of “critical information infrastructure” that intend to purchase internet products and services that will or may affect national security, or (iii) internet platform operators carrying out data processing that affect or may affect national security. Please refer to the section headed “Regulatory Overview — Regulations relating to Information Security and Censorship” for more details.

On November 14, 2021, the CAC published the Administrative Regulations on Internet Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Regulations on Internet Data Security**”) for public comments. The Draft Regulations on Internet Data Security sets out general guidelines covering subjects including protection of personal information, security of important data, security management of cross-border data transmission, obligations of internet platform operators, supervision and management, and legal liabilities of internet data security. In particular, the Draft Regulations on Internet Data Security requires a data processor to apply to the CAC for cybersecurity review if its listing in Hong Kong affects or may affect national security. As of the Latest Practicable Date, the Draft Regulations on Internet Data Security has not been formally adopted. Please refer to the section headed “Regulatory Overview — Regulations relating to Privacy Protection” for more details.

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Our Directors confirm that, during the Track Record Period and as of the Latest Practicable Date, our Group had not received any material notice or fine from the relevant PRC government authorities in respect of our online games publishing and operations in all material aspects. Also, our PRC Legal Advisers are of the view that the Group had complied with the laws and regulations regarding online game publishing and operations in the PRC in all material aspects during the Track Record Period and as of the Latest Practicable Date. Since (i) the majority of our Group’s core group of paying users in the PRC are not minors, (ii) as advised by our PRC Legal Advisers, the term “foreign listing” under Measures for Cybersecurity Review 2022 is likely to exempt listing in Hong Kong from the mandatory obligation of ex-ante declaration of cybersecurity review in the absence of factors affecting or potentially affecting national security, (iii) the revised Regulations on the Online Protection of Minors (Draft for Comments) (《未成年人網絡保護條例(徵求意見稿)》) and Draft Regulations on Internet Data Security (collectively, the “Drafts”) have not been formally adopted, and (iv) during the Track Record Period and as of the Latest Practicable Date, we have not been involved in any investigations nor received any notice or fine on minor protection, data security and cybersecurity review by the relevant government authorities in all material aspects, our Directors do not expect that as of the Latest Practicable Date, the Drafts would have any material adverse impact on our [REDACTED], business operations or financial performance. When the Drafts are finalized and become effective in the future, we will (i) take immediate steps to ensure compliance with the new regulatory requirements within a reasonable period of time, including thoroughly reviewing our business practices and operational policies, improving our privacy policies and service agreements with our users and service providers, establishing relevant mechanism in response to data security incidents, applying for cybersecurity review as applicable, filing important data with competent authorities and submitting relevant data security assessment report as required; (ii) proactively maintain communications with our legal advisers and the relevant local authorities as required, and continuously improve our operational procedures and take preventative measures to avoid any potential non-compliance; and (iii) continue to improve our minor protection, data security and cybersecurity protection technologies and measures to stay compliant with regulatory requirements and continue to monitor the developments of relevant regulations in the PRC and engage external professional consultants to advise us on relevant topics, if needed. Based on the aforementioned measures to be taken by us to ensure continuous regulatory compliance and the fact that during the Track Record Period and as of the Latest Practicable Date, (i) we have not been subject to any material fine or administrative penalty imposed by relevant PRC government authorities for any violation of laws and regulations regarding minor protection, data security and cybersecurity, and (ii) we have not experienced any material leakage of data or personal information, cyber attack or claim of inadequate minor protection measures, our Directors and our PRC Legal Advisers are of the view that if the Drafts were fully implemented in the current form, they are not expected to have any material adverse impact on our business operations.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

SUMMARY

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.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
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
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
Comprehensive income/(loss) attributable to:										
Owners of the Company	46,627	12.3	41,498	10.3	39,986	8.7	7,404	4.1	20,374	6.9
Non-controlling interests	(947)	(0.2)	(772)	(0.2)	(596)	(0.1)	(375)	(0.2)	(48)	*
	45,680	12.1	40,726	10.1	39,390	8.6	7,029	3.9	20,326	6.9

* Less than 0.1%

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Non-HKFRS Measure

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we set forth in the table below the adjusted net profit (non-HKFRS measure) 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-HKFRS measure:

	Year ended December 31,			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)	
Profit and total comprehensive income, net of tax	45,680	40,726	39,390	7,029	20,326
Add:					
Fair value loss on a financial liability measured at fair value through profit or loss [REDACTED]	—	—	1,479	—	4,379
Expenses	4,198	4,770	15,857	13,258	5,693
Deduct:					
Fair value gain on extension of a financial liability measured at fair value through profit or loss	—	—	—	—	(3,065)
Adjusted net profit (non-HKFRS measure)	49,878	45,496	56,726	20,287	27,333

The Group defines adjusted net profit (non-HKFRS measure) as profit and total comprehensive income, net of tax, for the period adjusted by the net fair value changes on the Pre-[REDACTED] Convertible Bonds (i.e. by adding back the fair value loss on the Pre-[REDACTED] Convertible Bonds and deducting the fair value gains on extension of the Pre-[REDACTED] Convertible Bonds) and the [REDACTED] expenses. The Group does not expect to record any further gain or loss due to fair value changes on the Pre-[REDACTED] Convertible Bonds thereafter. Further, the [REDACTED] expenses was added back to the adjusted net profit (non-HKFRS measure) as the [REDACTED] expenses are expenses related to the [REDACTED]. Therefore, the Group eliminates the potential impacts of such items that are expenses incurred in relation to the [REDACTED].

The Group believes that the presentation of such non-HKFRS measure when shown in conjunction with the corresponding HKFRS 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

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Pre-[REDACTED] Convertible Bonds and the [REDACTED] expenses. The use of the non-HKFRS measure has limitations as any other 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 HKFRS. In addition, the non-HKFRS measure may be defined differently from similar terms used by other companies.

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 primarily due to the cumulative effect of (i) the incurrence of exchange net loss; (ii) the increase of research and development expenses; and (iii) the increase in net impairment losses on financial assets, and further decreased by approximately RMB1.3 million, or 3.2%, to RMB39.4 million in 2021 primarily due to the cumulative effect of (i) the increase of selling and marketing expenses; (ii) the increase of research and development expenses; and (iii) the increase of general and administrative expenses. 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, primarily due to the cumulative effect of (i) the significant increase in our gross profit, mainly attributable to the successful expansion of our *Football Champion (最佳11人 — 冠軍球會)* into other overseas markets; and (ii) the decrease in our general and administrative expenses. During the same period, our net profit margin increased from approximately 3.9% to 6.9%. During the Track Record Period, we recorded an adjusted net profit margin (non-HKFRS measure) of approximately 13.2%, 11.2%, 12.3% and 9.3%, respectively. For details of the reasons for fluctuations as mentioned above, 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.

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 (unaudited)	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, 2022
Current ratio ⁽⁵⁾		1.9 times	2.1 times	1.4 times	1.5 times
Quick ratio ⁽⁶⁾		1.9 times	2.1 times	1.4 times	1.5 times
Debt-to-equity ratio ⁽⁷⁾		N/A	N/A	N/A	N/A

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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.

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 as at 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 as at December 31, 2019, 2020 and 2021 and as at June 30, 2022 were the same as our current ratio as we maintained no inventory during the same periods.

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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 financial liability position. 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 assets (or total equity)	127,339	148,065	107,313	126,599
Non-controlling interests	(637)	(1,409)	(1,879)	(864)
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 October 31, 2022, we maintained an unaudited net current assets of approximately RMB100.6 million.

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Our net assets (or total equity) increased by approximately RMB20.8 million or 16.3%, from approximately RMB127.3 million as at December 31, 2019 to approximately RMB148.1 million as at December 31, 2020, primarily due to the net profit generated of approximately RMB40.7 million, partially offset by a dividend of RMB20.0 million distributed by Wangchen Technology to its shareholders in 2020. Our net assets decreased by approximately RMB40.8 million, or 27.5%, from approximately RMB148.1 million as at December 31, 2020 to approximately RMB107.3 million as at December 31, 2021, primarily due to the net profit generated of approximately RMB39.4 million, offset by a dividend of RMB80.0 million distributed by Wangchen Technology to its shareholders in 2021. Our net assets increased by approximately RMB19.3 million, or 18.0%, from approximately RMB107.3 million as at December 31, 2021 to approximately RMB126.6 million as at June 30, 2022, primarily due to the net profits generated of approximately RMB20.3 million during the six months ended June 30, 2022.

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 [REDACTED] from the Pre-[REDACTED] Convertible Bonds subscribed by Garena Ventures. As at October 31, 2022, our cash and cash equivalents increased to approximately RMB218.0 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

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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 HKFRS. 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 — Dividends” for more information.

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:

- A significant majority of our revenue is derived from a limited number of games in recent fiscal periods.
- We may fail to extend the lifecycle of our existing mobile sports games successfully.
- If we fail to develop new games successfully or officially launch new games according to the contemplated timetable or at all or if 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.
- 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.

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- 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.

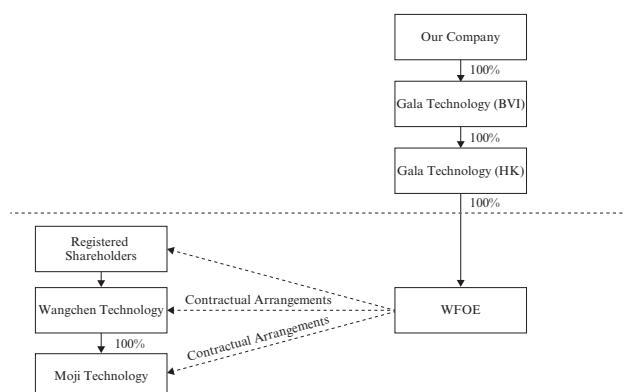
ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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 refer to the section headed “Business — Environmental, Social and Governance” in this document.

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 (i) WFOE, on the one hand, and Wangchen Technology and the Registered Shareholders, on the other hand, and (ii) WFOE, on the one hand, and Moji Technology and its sole shareholder, 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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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 “Waivers 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. 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 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). The Shares under the Pre-[REDACTED] Convertible Bonds are subject to a lock-up period of 180 days from the

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[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.

LOCK-UP UNDERTAKINGS

Each of our existing Shareholders has voluntarily undertaken that it shall not, without prior written consent of our Company and the [REDACTED], at any time during the period of six or 12 months (as the case may be) after the [REDACTED], dispose of, nor enter into any agreement to lend, dispose of or otherwise create any options, warrants, rights, interests or encumbrances in respect of any of the Shares held by it immediately upon the [REDACTED]. Please refer to the section headed “History, Reorganization and Corporate Structure — Corporate and Shareholding Structure — Lock-up Undertakings” in this document for further details.

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.

RECENT DEVELOPMENT

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 51.0% for the ten months ended October 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 expansion in the overseas markets since the second half of 2021 and the official launch of our new mobile sports action simulation game, *Total Football* (最佳球會), in July 2022. Our Directors expect that our net profit may experience a decrease for the year ending December 31, 2022 as compared to that of the year ended December 31, 2021, mainly due to (i) the expected increase in our research and development expenses due to our efforts to strengthen our research and development talent pools for the development of our new mobile sports games and to further improve our research and development capabilities; (ii) the expected increase in our advertising and marketing expenses to

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promote *Football Champion* (最佳11人 — 冠軍球會) in overseas markets as well as our new games launched/expected to be launched in the PRC and overseas markets, namely *Total Football* (最佳球會) in July 2022 and *MLB Baseball Master* (MLB棒球大師) in December 2022 or January 2023; (iii) the expected increase in our license fee payable to the IP right holders due to the launch of our new game, namely *Total Football* (最佳球會), during the year; and (iv) the expected increase in the [REDACTED] expenses during the year, which are in line with our Group’s expansion plan and business strategies. For details of our Group’s strategies to maintain our position in the market and expand our market share for sustainable growth, please refer to the section headed “Business — Our Strategies”.

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) was featured and demonstrated on the display of Apple iPad model.

According to Frost & Sullivan and to the best knowledge of our Directors, due to the relaxation of pandemic control measures, a decline in consumer spending on in-app purchases due to the economic downturn, and a rise in advertising costs, the global and the PRC mobile game market may be exposed to downward pressure in the short term. Nevertheless, a number of favourable factors including but not limited to (i) the gradual recovery of economy from the COVID-19 pandemic; (ii) the increase in the number of online game users across the world who have developed online gaming habit during the pandemic and are likely to maintain such habit despite the relaxation of pandemic control measures; and (iii) continuous technological innovation and increasing deployment of 5G internet, AI and 3D technologies which in turn enhance the attractiveness of online games, will contribute to the growth of the global and the PRC mobile game market in the long term. Taking into account both favourable and unfavourable factors in the short term and long term as mentioned above, it is expected that the global and the PRC mobile game market will maintain an upward momentum from 2021 to 2026 but at a lower growth rate when compared with that during 2016 to 2021.

[REDACTED] STATISTICS

The following table sets forth the [REDACTED] statistics immediately upon completion of the [REDACTED].

	Based on an [REDACTED] of [REDACTED] ⁽¹⁾	Based on an [REDACTED] of [REDACTED] ⁽²⁾
Market capitalization of our Shares	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾⁽⁴⁾	HK\$[REDACTED] (RMB[REDACTED])	HK\$[REDACTED] (RMB[REDACTED])

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Notes:

- (1) The calculation of market capitalization and unaudited pro forma adjusted net tangible assets per Share are under the assumption of no 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 which is less than the Conversion Price (i.e. HK\$[REDACTED] per Share).
- (2) The calculation of market capitalization and unaudited pro forma adjusted net tangible assets per Share are under the assumption of no 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) For details of the unaudited pro forma adjusted net tangible assets per Share, please refer to “Appendix II — Unaudited Pro Forma Financial Information — A. Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets” to this document.
- (4) Assuming full conversion of the Pre-[REDACTED] Convertible Bonds upon completion of the [REDACTED], the pro forma net tangible asset as at 30 June 2022 would have been RMB[REDACTED] and the unaudited pro forma adjusted net tangible asset per Share would have been RMB[REDACTED] (equivalent to HK\$[REDACTED]) based on the [REDACTED] of HK\$[REDACTED] per Share and RMB[REDACTED] (equivalent to HK\$[REDACTED]) based on the [REDACTED] of HK\$[REDACTED] per Share.

[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 deducted from equity, 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], RMB[REDACTED] and RMB[REDACTED] were charged prior to the Track Record Period, for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively, adjusted by an exchange difference of approximately RMB[REDACTED]. An additional amount of approximately RMB[REDACTED] is expected to be recognized in our consolidated statements of comprehensive income on or before the [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.

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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] per Share, 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.