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## APPENDIX I

## ACCOUNTANT’S REPORT

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*The following is the text of a report set out on pages I-1 to I-3, received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagement 200 (HKSIR 200), Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

### ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GALA TECHNOLOGY HOLDING LIMITED AND UOB KAY HIAN (HONG KONG) LIMITED

#### Introduction

We report on the historical financial information of Gala Technology Holding Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-78, which comprises the consolidated statements of financial position as at 31 December 2019, 2020 and 2021 and 30 June 2022, the company statements of financial position as at 31 December 2019, 2020 and 2021 and 30 June 2022, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022 (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-78 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “**Document**”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

#### Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

#### Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at 31 December 2019, 2020 and 2021 and 30 June 2022 and the consolidated financial position of the Group as at 31 December 2019, 2020 and 2021 and 30 June 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2021 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

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**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

*Dividends*

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by Gala Technology Holding Limited in respect of the Track Record Period.

*No statutory financial statements for the Company*

No statutory financial statements have been prepared for the Company since its date of incorporation.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong

[REDACTED]

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**I HISTORICAL FINANCIAL INFORMATION****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The consolidated financial statements of the Group for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022 (the “**Track Record Period**”), on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi and all values are rounded to the nearest thousands (“**RMB’000**”) except when otherwise indicated.

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### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Six months ended 30 June	
		2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
Revenue	5	378,630	404,745	459,851	180,974	294,775
Cost of revenue	8	<u>(207,529)</u>	<u>(224,354)</u>	<u>(238,324)</u>	<u>(98,332)</u>	<u>(145,910)</u>
<b>Gross profit</b>		171,101	180,391	221,527	82,642	148,865
Other gains/(losses), net	6	669	(4,903)	(1,137)	733	1,034
Other income	7	962	1,931	3,319	1,354	3,594
Selling and marketing expenses	8	(60,278)	(62,889)	(85,590)	(31,992)	(73,445)
General and administrative expenses	8	(23,225)	(21,119)	(34,589)	(22,062)	(17,461)
Research and development expenses	8	(40,092)	(45,232)	(62,705)	(25,689)	(37,508)
(Net impairment losses)/reversal of impairment loss on financial assets		<u>(129)</u>	<u>(3,788)</u>	<u>160</u>	<u>2</u>	<u>(1,772)</u>
Operating profit		49,008	44,391	40,985	4,988	23,307
Finance income, net	10	<u>1,524</u>	<u>401</u>	<u>741</u>	<u>183</u>	<u>570</u>
<b>Profit before income tax</b>		50,532	44,792	41,726	5,171	23,877
Income tax (expense)/credit	11	<u>(4,852)</u>	<u>(4,066)</u>	<u>(2,336)</u>	<u>1,858</u>	<u>(3,551)</u>
<b>Profit and total comprehensive income for the year/period, net of tax</b>		<u>45,680</u>	<u>40,726</u>	<u>39,390</u>	<u>7,029</u>	<u>20,326</u>
<b>Comprehensive income/(loss) attributable to:</b>						
Owners of the Company		46,627	41,498	39,986	7,404	20,374
Non-controlling interests		<u>(947)</u>	<u>(772)</u>	<u>(596)</u>	<u>(375)</u>	<u>(48)</u>
		<u>45,680</u>	<u>40,726</u>	<u>39,390</u>	<u>7,029</u>	<u>20,326</u>
<b>Earnings per share for profit attributable to owners of the Company (RMB per share)</b>						
— Basic and diluted earnings per share	12	<u>46.6</u>	<u>41.5</u>	<u>40.0</u>	<u>7.4</u>	<u>20.4</u>

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**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		As at 31 December			As at
	Note	2019	2020	2021	30 June
		RMB'000	RMB'000	RMB'000	2022
					RMB'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	2,113	2,530	4,507	5,905
Right-of-use assets	15	2,610	3,541	12,488	14,445
Intangible assets	16	34,029	26,230	15,018	10,798
Prepayment, deposits and other receivables	19	440	3,669	1,235	8,989
Deferred tax assets	26	5,867	5,171	3,655	4,574
		<u>45,059</u>	<u>41,141</u>	<u>36,903</u>	<u>44,711</u>
<b>Current assets</b>					
Trade receivables	18	27,392	20,321	35,598	52,251
Prepayments, deposits and other receivables	19	8,221	8,535	15,942	18,073
Current income tax receivables		—	250	567	2,928
Amounts due from non-controlling interests	20	1,865	1,865	1,715	675
Amounts due from shareholders	31	120	48	—	—
Amounts due from related parties	31	232	4,136	36	—
Financial assets at fair value through profit or loss	21(a)	—	999	—	—
Contract costs	25	8,723	11,632	13,108	14,870
Short-term bank deposits	22	90	85	83	—
Cash and cash equivalents	22	145,032	163,723	188,410	188,493
		<u>191,675</u>	<u>211,594</u>	<u>255,459</u>	<u>277,290</u>
<b>Total assets</b>		<u>236,734</u>	<u>252,735</u>	<u>292,362</u>	<u>322,001</u>
<b>Equity and liabilities</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	23(a)	—	—	8	8
Combined capital	23(b)	11,778	11,778	—	—
Other reserves	24	54,937	62,139	79,555	77,452
Retained earnings		61,261	75,557	29,629	50,003
		127,976	149,474	109,192	127,463
Non-controlling interests		(637)	(1,409)	(1,879)	(864)
<b>Total equity</b>		<u>127,339</u>	<u>148,065</u>	<u>107,313</u>	<u>126,599</u>

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		As at 31 December			As at
	<i>Note</i>	2019	2020	2021	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2022
					<i>RMB'000</i>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Trade payables	27	9,715	—	—	—
Other payables	28	68	208	306	455
Lease liabilities	15	<u>600</u>	<u>1,484</u>	<u>7,830</u>	<u>7,986</u>
		<u>10,383</u>	<u>1,692</u>	<u>8,136</u>	<u>8,441</u>
<b>Current liabilities</b>					
Trade payables	27	43,307	41,031	30,617	31,982
Other payables and accruals	28	26,690	27,810	39,632	35,202
Contract liabilities	25	20,541	28,934	35,853	42,823
Current income tax liabilities		6,737	3,121	611	3,262
Lease liabilities	15	1,737	2,082	4,558	6,736
Financial liability at fair value through profit or loss	21(b)	<u>—</u>	<u>—</u>	<u>65,642</u>	<u>66,956</u>
		<u>99,012</u>	<u>102,978</u>	<u>176,913</u>	<u>186,961</u>
<b>Total liabilities</b>		<u>109,395</u>	<u>104,670</u>	<u>185,049</u>	<u>195,402</u>
<b>Total equity and liabilities</b>		<u><u>236,734</u></u>	<u><u>252,735</u></u>	<u><u>292,362</u></u>	<u><u>322,001</u></u>

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**STATEMENTS OF FINANCIAL POSITION OF THE COMPANY**

		As at 31 December			As at
	Note	2019	2020	2021	30 June
		RMB'000	RMB'000	RMB'000	2022
					RMB'000
<b>Assets</b>					
<b>Non-current assets</b>					
Investment in a subsidiary		8	8	112,806	112,806
<b>Current assets</b>					
Prepayments	19	5,090	5,081	7,434	11,116
Amount due from a subsidiary	31	—	—	35,956	31,083
Cash and cash equivalents	22	—	—	11	93
<b>Total assets</b>		<u>5,098</u>	<u>5,089</u>	<u>156,207</u>	<u>155,098</u>
<b>(Deficits)/equity and liabilities</b>					
<b>(Deficits)/equity</b>					
Share capital	23(a)	—	—	8	8
Other reserve	24	—	—	112,798	112,798
Accumulated losses		<u>(7,569)</u>	<u>(12,321)</u>	<u>(30,951)</u>	<u>(35,225)</u>
<b>Total (deficits)/equity</b>		<u>(7,569)</u>	<u>(12,321)</u>	<u>81,855</u>	<u>77,581</u>
<b>Current liabilities</b>					
Amounts due to subsidiaries	31	11,557	15,188	4,360	5,343
Other payables and accruals	28	1,110	2,222	4,350	5,218
Financial liability at fair value through profit or loss	21(b)	—	—	65,642	66,956
<b>Total liabilities</b>		<u>12,667</u>	<u>17,410</u>	<u>74,352</u>	<u>77,517</u>
<b>Total (deficits)/equity and liabilities</b>		<u>5,098</u>	<u>5,089</u>	<u>156,207</u>	<u>155,098</u>



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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	<i>Note</i>	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Combined capital	Other reserves	Retained earnings	Total		
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>		
<b>Balance at 1 January 2019</b>		—	11,778	48,533	21,038	81,349	310	81,659
<b>Comprehensive income/(loss)</b>								
Profit/(loss) for the year		—	—	—	46,627	46,627	(947)	45,680
Total comprehensive income/(loss)		—	—	—	46,627	46,627	(947)	45,680
<b>Transactions with owners in their capacity as owners</b>								
Appropriation to statutory reserves	24	—	—	6,404	(6,404)	—	—	—
<b>Total transactions with owners in their capacity as owners</b>		—	—	6,404	(6,404)	—	—	—
<b>Balance at 31 December 2019</b>		—	11,778	54,937	61,261	127,976	(637)	127,339
<b>Balance at 1 January 2020</b>		—	11,778	54,937	61,261	127,976	(637)	127,339
<b>Comprehensive income/(loss)</b>								
Profit/(loss) for the year		—	—	—	41,498	41,498	(772)	40,726
Total comprehensive income/(loss)		—	—	—	41,498	41,498	(772)	40,726
<b>Transactions with owners in their capacity as owners</b>								
Appropriation to statutory reserves	24	—	—	7,202	(7,202)	—	—	—
Dividends	13	—	—	—	(20,000)	(20,000)	—	(20,000)
<b>Total transactions with owners in their capacity as owners</b>		—	—	7,202	(27,202)	(20,000)	—	(20,000)
<b>Balance at 31 December 2020</b>		—	11,778	62,139	75,557	149,474	(1,409)	148,065

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	Note	Attributable to owners of the Company				Non-controlling		
		Share capital RMB'000	Combined capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total interests RMB'000	Total equity RMB'000	
<b>Balance at 1 January 2021</b>		—	11,778	62,139	75,557	149,474	(1,409)	148,065
<b>Comprehensive income/(loss)</b>								
Profit/(loss) for the year		—	—	—	39,986	39,986	(596)	39,390
<b>Total comprehensive income/(loss)</b>		—	—	—	39,986	39,986	(596)	39,390
<b>Transactions with owners in their capacity as owners</b>								
Issuance of shares pursuant to the reorganisation	23(a)	8	—	—	—	8	—	8
Appropriation to statutory reserves	24	—	—	5,914	(5,914)	—	—	—
Reclassification of combined capital and capital reserve to other reserve pursuant to the reorganisation	23(b)	—	(11,778)	11,778	—	—	—	—
Acquisition of non-controlling interests in a subsidiary	24	—	—	(276)	—	(276)	126	(150)
Dividends	13	—	—	—	(80,000)	(80,000)	—	(80,000)
<b>Total transactions with owners in their capacity as owners</b>		8	(11,778)	17,416	(85,914)	(80,268)	126	(80,142)
<b>Balance at 31 December 2021</b>		8	—	79,555	29,629	109,192	(1,879)	107,313
<b>Balance at 1 January 2022</b>		8	—	79,555	29,629	109,192	(1,879)	107,313
<b>Comprehensive income/(loss)</b>								
Profit/(loss) for the period		—	—	—	20,374	20,374	(48)	20,326
<b>Total comprehensive income/(loss)</b>		—	—	—	20,374	20,374	(48)	20,326
<b>Transactions with owners in their capacity as owners</b>								
Acquisition of non-controlling interests in a subsidiary	24	—	—	(2,103)	—	(2,103)	1,063	(1,040)
<b>Total transactions with owners in their capacity as owners</b>		—	—	(2,103)	—	(2,103)	1,063	(1,040)
<b>Balance at 30 June 2022</b>		8	—	77,452	50,003	127,463	(864)	126,599

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	Note	Attributable to owners of the Company				Non-controlling		
		Share capital RMB'000	Combined capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	interests RMB'000	Total equity RMB'000
(Unaudited)								
<b>Balance at 1 January 2021</b>		—	11,778	62,139	75,557	149,474	(1,409)	148,065
<b>Comprehensive income/(loss)</b>								
Profit/(loss) for the period		—	—	—	7,404	7,404	(375)	7,029
<b>Total comprehensive income/(loss)</b>		—	—	—	7,404	7,404	(375)	7,029
<b>Transactions with owners in their capacity as owners</b>								
Issuance of shares pursuant to the reorganisation	23(a)	8	—	—	—	8	—	8
Reclassification of combined capital and capital reserve to other reserve pursuant to the reorganisation	23(b)	—	(11,778)	11,778	—	—	—	—
Acquisition of non-controlling interests in a subsidiary	24	—	—	(276)	—	(276)	126	(150)
Dividends	13	—	—	—	(80,000)	(80,000)	—	(80,000)
<b>Total transactions with owners in their capacity as owners</b>		8	(11,778)	11,502	(80,000)	(80,268)	126	(80,142)
<b>Balance at 30 June 2021</b>		8	—	73,641	2,961	76,610	(1,658)	74,952

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Note	Year ended 31 December			Six months ended 30 June	
		2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
<b>Cash flows from operating activities</b>						
Cash generated from operations	29(a)	94,840	83,938	70,000	5,174	14,950
Interest received	10	1,221	1,013	1,478	562	1,067
Income tax paid		(5,428)	(7,236)	(3,647)	(3,445)	(4,182)
<b>Net cash generated from operating activities</b>		<b>90,633</b>	<b>77,715</b>	<b>67,831</b>	<b>2,291</b>	<b>11,835</b>
<b>Cash flows from investing activities</b>						
Purchases of property, plant and equipment	14	(923)	(2,065)	(4,618)	(1,664)	(2,504)
Purchase of intangible assets		(13,570)	(23,622)	(19,500)	(8,453)	(6,514)
Purchase of financial assets at fair value through profit or loss	21(a)	(55,500)	(104,709)	(111,500)	(74,600)	(19,800)
Proceeds from disposal of financial assets at fair value through profit or loss	21(a)	65,826	104,044	112,984	59,810	19,845
Advance to shareholders	31	(1,015)	—	—	—	—
Repayment from shareholders	31	1,064	72	48	48	—
Advance to related parties	31	(300)	(4,000)	—	—	—
Repayment from related parties	31	72	96	4,100	4,052	36
(Payment for addition)/proceeds from disposal of short-term deposits		(2)	5	2	2	83
<b>Net cash used in investing activities</b>		<b>(4,348)</b>	<b>(30,179)</b>	<b>(18,484)</b>	<b>(20,805)</b>	<b>(8,854)</b>
<b>Cash flows from financing activities</b>						
Issuance of shares pursuant to the reorganisation		—	—	8	8	—
Issuance of a financial liability at fair value through profit or loss	21(b)/29(c)	—	—	64,163	64,163	—
Payment for [REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Payment for principal elements of lease liabilities	29(c)	(2,654)	(2,392)	(4,151)	(1,240)	(2,746)
Interest paid	29(c)	(195)	(172)	(437)	(79)	(349)
Dividends paid	29(c)	(8,000)	(20,000)	(80,000)	(80,000)	—
<b>Net cash used in financing activities</b>		<b>(12,012)</b>	<b>(23,174)</b>	<b>(23,326)</b>	<b>(19,741)</b>	<b>(4,265)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>						
		74,273	24,362	26,021	(38,255)	(1,284)
Cash and cash equivalents at beginning of the year/period	22	69,051	145,032	163,723	163,723	188,410
Exchange difference		1,708	(5,671)	(1,334)	(692)	1,367
<b>Cash and cash equivalents at end of the year/period</b>	22	<b>145,032</b>	<b>163,723</b>	<b>188,410</b>	<b>124,776</b>	<b>188,493</b>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Gala Technology Holding Limited (the “**Company**”) was incorporated in the Cayman Islands on 12 June 2018 as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands. The address of the Company’s registered office is PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the “**Group**”) are principally engaged in the mobile sports game development, publishing and operation (the “[REDACTED] **Business**”) in the People’s Republic of China (the “**PRC**”).

1.2 Reorganisation of the Group

Prior to the Reorganisation (as defined below), the [REDACTED] Business was mainly carried out by Shenzhen Wangchen Technology Co., Ltd (“**Wangchen Technology**”) and its subsidiaries, in which Wangchen Technology effectively holds 100%, 100% and 60% equity interests in Gala Sports Technology Limited (“**Gala Sports HK**”), Shenzhen Moji Technology Co., Ltd (“**Moji Technology**”) and Shenzhen Chuangzhen Shijie Technology Co., Ltd (“**Chuangzhen Shijie**”), respectively. Wangchen Technology and Moji Technology together refer as the “**PRC Operating Entities**” thereafter.

In preparation for the [REDACTED] of the Company’s Shares as the Main Board of the Stock Exchange of Hong Kong Limited (the “[REDACTED]”), the Group underwent a group reorganisation (the “**Reorganisation**”) which principally involved the following key steps:

*(1) Incorporation of the Company*

On 12 June 2018, the Company was incorporated in the Cayman Islands with limited liability and authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each, of which one share was issued and allotted to an initial subscriber at par. On the same day, the said one share was transferred to Great Shine (as defined below) at par. On 20 June 2018, 9,999 shares were issued and allotted at par to Great Shine Holding Limited (“**Great Shine**”), and 10,000 shares were issued and allotted at par to High Triumph Holding Limited (“**High Triumph**”), Neo Honour Holding Limited (“**Neo Honour**”), Joyful Treasure Holding Limited (“**Joyful Treasure**”) and Mighty Yellow Holding Limited (“**Mighty Yellow**”), respectively. The Company was then owned as to 20% each by Great Shine, High Triumph, Neo Honour, Joyful Treasure and Mighty Yellow.

On 26 November 2020, the Company repurchased and cancelled 10,000 shares held by Joyful Treasure at a consideration of HK\$100.

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### *(2) Incorporation of other offshore holding companies*

On 4 July 2018, Gala Technology International Limited (“**Gala Technology (BVI)**”) was incorporated in the British Virgin Islands (“**BVI**”) with limited liability as a wholly-owned subsidiary of the Company.

On 6 August 2018, Gala Technology (Hong Kong) Limited (“**Gala Technology (HK)**”) was incorporated in Hong Kong with limited liability as a wholly-owned subsidiary of Gala Technology (BVI).

### *(3) Establishment of the wholly foreign owned enterprise*

On 30 July 2019, Shenzhen Wangchen Moji Technology Co., Ltd (“**Shenzhen Wangchen Moji**” or the “**WFOE**”) was incorporated in the PRC with limited liability as a wholly-owned subsidiary of Gala Technology (HK).

### *(4) Transfer of equity interest of Chuangzhen Shijie, Yingnuo Ruier and Gala Sports HK*

On 10 December 2019, the Group completed the transfers of a 60% equity interest in Chuangzhen Shijie from Wangchen Technology to the WFOE at a total consideration of RMB2.

On 12 December 2019, the Group completed the transfer of a 1% equity interest in Shenzhen Yingnuo Ruier Technology Partnership Enterprise (Limited Partnership) (“**Yingnuo Ruier**”) from Moji Technology to the WFOE at a total consideration of RMB2.

On 6 May 2021, the Group completed the transfer of 100% equity interest in Gala Sports HK from Wangchen Technology to Gala Technology (BVI) at a consideration of RMB3,155,880. Gala Sports HK became a wholly-owned subsidiary of Gala Technology (BVI).

### *(5) Entering into of the Contractual Arrangements*

On 13 May 2021, the WFOE entered into various agreements (the “**Contractual Arrangements**”) with Wangchen Technology and its registered shareholders, pursuant to which the WFOE controls the PRC Operating Entities by way of exposing to, or has rights to variable returns from its investment with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities. For further details on the Contractual Arrangements, please refer to Note 2.2 (a).

On 14 May 2021, the Company issued and allotted a total of 960,000 shares to the offshore investment vehicles of the beneficial owners of Wangchen Technology to reflect their original beneficial shareholding in Wangchen Technology at the Company’s level.

Upon completion of the Reorganisation, the Company became the holding company of the companies comprising the Group.

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.

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Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation establishment	Particulars of issued and paid-in capital	Equity interest held as at				Date of this report	Principal activities	Note
			31 December		30 June				
			2019	2020	2021	2022			
<b>Directly held by the Company</b>									
Gala Technology International Limited	The BVI, 4 July 2018	HK\$10,000	100%	100%	100%	100%	100%	Investment holding	(a)
<b>Indirectly held by the Company</b>									
Gala Sports Technology Limited	Hong Kong, 17 April 2012	HK\$10,000	100%	100%	100%	100%	100%	Mobile sports game development, publishing and operation	(b)
Gala Technology (Hong Kong) Limited	Hong Kong, 6 August 2018	HK\$1	100%	100%	100%	100%	100%	Investment holding	(c)
Shenzhen Wangchen Moji Technology Co., Ltd* 深圳市望塵莫及科技有限公司	The PRC, 30 July 2019	2019 and 2020: RMB10,000,000 2021 and 2022: RMB42,000,000	100%	100%	100%	100%	100%	2019 and 2020: Investment holding 2021 and 2022: Technical support, consulting and other services	(f)
Shenzhen Wangchen Technology Co., Ltd* 深圳市望塵科技有限公司	The PRC, 20 December 2013	RMB11,777,778	100%	100%	100%	100%	100%	Mobile sports game development, publishing and operation	(d), (e)
Shenzhen Moji Technology Co., Ltd* 深圳市莫及科技有限公司	The PRC, 8 July 2016	RMB1,000,000	100%	100%	100%	100%	100%	Mobile sports game development, publishing and operation	(a), (d)
Shenzhen Chuangzhen Shijie Technology Co., Ltd* 深圳市創真視界科技有限公司	The PRC, 21 December 2016	RMB5,000,000	60%	60%	63%	84%	84%	Research, experiment and development	(a), (g)

\* *The English name of certain companies referred herein represent management’s best effort at translating the Chinese names of those companies as no English names have been registered.*

Notes:

- (a) No audited financial statements have been prepared for these companies as there is no statutory audit requirement under the relevant rules and regulations in the territories.
- (b) The statutory financial statements for the years ended 31 December 2019, 2020 and 2021 were audited by Global Vision CPA Limited.
- (c) The statutory financial statements for the period ended from 6 August 2018 to 31 December 2019 and the years ended 31 December 2020 and 2021 were audited by Global Vision CPA Limited.

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- (d) The Group does not have legal ownership in the equity of these subsidiaries. Nevertheless, under the Contractual Agreements entered among the Wangchen Technology, its registered shareholders and the WFOE, the Group controls these entities by way of exposing to, or has rights to, variable returns from its investment with the entities and has the ability to affect those returns through its power over these entities. In addition, the Contractual Agreements also transfer the risk and rewards of these subsidiaries to the Group. As a result, they are presented as consolidating subsidiaries of the Group.
- (e) The statutory financial statements for the years ended 31 December 2019, 2020 and 2021 were audited by 深圳華碩會計師事務所(普通合夥)(Shenzhen Huashuo Certified Public Accountants (General Partnership)).
- (f) No audited financial statements have been prepared for this company as there is no statutory audit requirement under the relevant rules and regulations in the territories for the year ended 31 December 2019 and 2020. The statutory financial statement for the year ended 31 December 2021 was audited by 深圳華碩會計師事務所(普通合夥)(Shenzhen Huashuo Certified Public Accountants (General Partnership)).
- (g) On 6 January 2022, a non-controlling interest transferred its 21% equity interest in Chuangzhen Shijie to the WFOE. As a result, the Group’s equity interest in Chuangzhen Shijie has increased to 84%.

### 1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the [REDACTED] Business was carried out by Wangchen Technology and its subsidiaries. Pursuant to the Reorganisation, the [REDACTED] Business are transferred to and ultimately held by the Company. The Company and those intermediate holding companies newly set up during the Reorganisation have not been involved in any other business prior to the Reorganisation and their operations do not meet the definition of a business. The Reorganisation is merely a recapitalisation of the [REDACTED] Business with no change in management of such business and the ultimate owners of the [REDACTED] Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the [REDACTED] Business conducted through the Company and the Historical Financial information of the companies now comprising the Group is presented using the respective carrying value of the [REDACTED] Business for all periods presented.

Intercompany transactions, balances and unrealised gains/losses on transactions between subsidiaries now comprising the Group are eliminated upon consolidation.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

### 2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and a financial liability at fair value through profit or loss which are measured at fair values.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.



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All new standards, amendments to standards and interpretations which are mandatory for the financial year beginning 1 January 2022 and before, are also consistently applied to the Group throughout the Track Record Period.

### *New standards, amendments to existing standards and interpretation not yet adopted*

A number of new standards, amendments to standards and interpretation are effective for annual periods beginning after 1 January 2022 and have not been applied in preparing this Historical Financial Information. None of these is expected to have a significant effect on the Historical Financial Information of the Group.

		<b>Effective for accounting period beginning on or after</b>
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 January 2023
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendments to HKFRS 4	Extension of the temporary exemption from applying HKFRS 9	1 January 2023
HKFRS 16 (Amendments)	Lease liability in a sales and leaseback	1 January 2024
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new standards, amendments to existing standards and interpretation. According to the preliminary assessment made by the directors, no significant impact on the financial performance and position of the Group is expected when they become effective.

## **2.2 Principles of consolidation**

### *(a) Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Except for the Reorganisation, the acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

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Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed when necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position respectively.

*Subsidiaries arising from Reorganisation*

The WFOE has entered into the Contractual Arrangements with Wangchen Technology and its registered shareholders, which enable the WFOE and the Group to:

- Exercise effective control over the PRC Operating Entities;
- Exercise equity holders’ voting rights of the PRC Operating Entities;
- Receive substantially all of the economic interests and returns generated by the PRC Operating Entities in consideration for the business support, technical and consulting services provided by the WFOE, at the WFOE’s discretion;
- Obtain an irrevocable and exclusive right to purchase all equity interests in Wangchen Technology from its registered shareholders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the registered shareholders of Wangchen Technology shall return the amount of purchase consideration they have received to the WFOE. At the WFOE’s request, the registered shareholders of Wangchen Technology will promptly and unconditionally transfer their respective equity interests in Wangchen Technology to WFOE (or its designee within the Group) after the WFOE exercises its purchase right;
- Obtain pledges over the entire equity interests in Wangchen Technology from its registered shareholders to secure, among others, performance of their obligations under the Contractual Arrangement;
- The Group does not have any equity interest in the PRC Operating Entities. However, as a result of the Contractual Arrangement, the Group has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities and is considered to control the PRC Operating Entities. Consequently, the Company regards the PRC Operating Entities as indirect subsidiaries under HKFRSs.

**(b) Changes in ownership interests**

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

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### 2.3 Business combinations

The acquisition method of accounting is used to account for business combinations, except for the Reorganisation, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the profit or loss.

### 2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

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### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that make strategic decisions.

### 2.6 Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the **functional currency**’). The consolidated financial statements are presented in Renminbi (“**RMB**”), which is the Company’s functional and the Group’s presentation currency.

#### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

All foreign exchange gains and losses are presented in the profit or loss on a net basis.

Non-monetary items that are measured at fair values in a foreign currency are translated using the exchange rates at the date when the fair values was determined. Translation differences on assets and liabilities carried at fair values are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the profit or loss as part of the fair value gain or loss.

### 2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values over their estimated useful lives, as follows:

Furniture and fixtures	20% to 33%
Computers and other equipment	20% to 33%
Leasehold improvements	33% or over lease terms, whichever is shorter

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

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### 2.8 Intangible assets

#### *(a) Licenses*

Under certain licensing arrangements entered between the Group and the licensors, the Group pays upfront license fees to the licensors as the Group is entitled to the non-exclusive rights to use the intellectual properties in specified geographic areas for certain period of time. License have a definite useful life and carried at amortised cost less accumulated amortisation and accumulated impairment loss, if any. They are initially measured at fair value of the consideration required at the time of the acquisition. The consideration required represents the non-cancellable upfront fee and the capitalised present values of the fixed royalty fee to be made in subsequent years in respect of the acquisition of the licenses.

Licenses are amortised on a straight-line basis in accordance to the license period for 1 to 4 years. These amortisation are expensed to cost of revenues (where the games are commercially launched) or general and administrative expenses (where the games are not yet commercially launched).

Payment of upfront license fees for the cancellable licenses are recognised as prepayment in the consolidated statements of financial position and amortised on a straight-line basis in accordance to the license period.

#### *(b) Research and development expenditures*

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled.

These criteria includes: (1) it is technically feasible to complete the game product so that it will be available for use; (2) management intends to complete the game product and use or sell it; (3) there is an ability to use or sell the game product; (4) it can be demonstrated how the game product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the game product are available; and (6) the expenditure attributable to the game product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognised as expenses as incurred.

Development costs previously recognised as expenses are not recognised as assets in subsequent periods. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their useful lives.

Research and development expenses consist primarily of salary and benefits for the Group’s research and development personnel.

During the Track Record Period, all research and development expenditures were recognised in profit or loss as they do not meet the recognition criteria for capitalisation.

#### *(c) Software*

The Group’s acquired software license mainly consists of financial and operation system software license. Acquired software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life (1 to 10 years). Such useful life of the intangible assets is determined based on the contractual terms of the acquired software or their current functionalities and the Group’s daily operation needs. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

**2.9 Impairment of non-financial assets**

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**2.10 Investments and other financial assets**

**(a) Classification**

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets are classified in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

During the Track Record Period, the Group classifies its financial assets as those to measured amortised cost and those to be measured subsequently at fair value through profit or loss.

**(b) Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

**(c) Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

### *Amortised cost*

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Interest income is presented as finance income, net where it is earned from financial assets that are held for cash management purposes. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss, if any.

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

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net, within other gains/(losses), net in the period in which it arises.

### **(d) Impairment**

The Group assesses on a forward looking basis the expected credit losses (“ECL”) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other financial assets carried at amortised cost is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a financial assets carried at amortised cost has occurred since initial recognition, then impairment is measured as lifetime ECL.

## **2.11 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

## **2.12 Trade receivables**

Trade receivables are amounts due from distribution and payment channels for proceeds earned from selling game tokens or other virtual items in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

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### 2.13 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks with original maturity dates within 3 months or less.

### 2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### 2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.16 Contract liabilities and contract costs

Contract liabilities primarily consist of the unamortised revenue from sales of game tokens and virtual items for mobile games, where there is still an implied obligation to be provided by the Group and will be recognised as revenue when all of the revenue recognition criteria are met.

Incremental costs of obtaining a contract, including unamortised commission charged by distribution and payment channels and unamortised revenue sharing to the publishers are capitalised if they are expected to be recovered. Capitalised contract costs are amortised on a systematic basis consistent with the pattern of the transfer of the goods or services to which the asset relates.

### 2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### *(a) Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is not probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.



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*(b) Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements of financial position. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

*(c) Offsetting*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**2.18 Employee benefits**

*(a) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision, where appropriate, is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

*(b) Defined contribution plans*

The Group’s companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and other defined contribution social security plans organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable and other social security payables to all existing and future retired employees under these plans and the Group has no further obligation beyond the contributions made. Contributions to these plans are expenses as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

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### 2.19 Share-based payments

The Group has various equity-settled share-based compensation, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to vest based on non-marketing vesting conditions. It recognises the impact of the revision to estimates, if any, in the profit or loss with corresponding adjustment to equity.

### 2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 2.21 Financial liability at fair value through profit or loss

The Group designated the convertible bonds (Note 21(b)) as a financial liability at fair value through profit or loss, which is initially recognised at fair value. Any directly attributable transaction costs are recognised in profit or loss. Subsequent to initial recognition, the component of fair value changes relating to the Company’s own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realised. Fair value changes relating to market risk are recognised in profit or loss.

### 2.22 Revenue recognition

Revenues are recognised when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

#### *Game revenue*

The Group is a mobile sports game developer, publisher and operator. Revenue from self-development games of the Group are derived principally from various arrangements, including game published by the Group through its platforms or third-party distribution channels (“**Distribution Channels**”), and game published by other third party game publishers (“**Publishers**”) under various game distribution arrangements.

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*(a) Revenue from online game published by the Group*

The mobile games published by the Group which are operated under a free-to-play model whereby game players can download the games free of charge and are charged for the purchase of in-game virtual items via payment channels, such as various mobile carriers and third-party internet payment systems (collectively referred to as “**Payment Channels**”, Distribution Channels and Payment Channels, collectively referred to as “**Platforms**”). The Platforms are entitled to a handling fees which are withheld and deducted from the gross proceeds collected from the game players, with the net amounts remitted to the Group. The payment received from game players regarding purchase of game tokens and other virtual items is non-refundable and the related contracts are non-cancellable.

The Group recognises the revenue on a gross basis, with the commission charged by the Platforms as the cost of revenue. The revenue and the cost of revenue are recognised rateably over the estimated playing period of paying players (“**Paying Players**”), given there is an implicit obligation of the Group to maintain and allow access of the users of the games operated by the Group.

*(b) Revenue from online game published by Publishers under game distribution arrangements*

The Group also grants Publishers rights to publish its mobile games through Publisher’s own platforms, including web-based portals, or other platforms, including online application stores installed in mobile.

These games are also under free-to-play model whereby game players can play the games free of charge and are charged for the purchase of game tokens or other virtual items. Proceeds earned from selling game tokens and other virtual items are collected by the Publishers or its designated Platforms and shared between the Group and the Publishers based on a pre-determined rate.

With respect to the arrangement that the Group is responsible for providing game product, technical support and upgrades, other daily game operation and the right to determine the ultimate pricing of in-game virtual items, the Publishers are only responsible for publishing, providing payment solution, customer service and promotion, and the Publishers are the agents in the transactions.

The Group recognises the revenue on a gross basis, with the commission charged by the Platforms and revenue sharing to the Publishers as the cost of revenue. The revenue and the cost of revenue are recognised rateably over the estimated playing period of Paying Players, given there is an implicit obligation of the Group to maintain and allow access of the users of the games operated by the Group.

*Timing of revenue recognition*

As the Group is acting as a principal to the game players, it has determined that it is obligated to provide on-going services to the game players who purchased virtual items to gain an enhanced game-playing experience over an average playing period of the Paying Players, and accordingly, the Group recognises the revenues rateably over the estimated average playing period of these Paying Players, starting from the point in time when game tokens or other virtual items are delivered to the players’ accounts, and all other revenue recognition criteria are met. As the games are under a free-to-play model and revenue is generated from Paying Players when they purchase game points for in-game virtual items, the Group focuses on the playing period of Paying Players when estimating the period over which revenue is being recognised.

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For the purposes of determining when services have been provided to the respective Paying Players, the Group has determined the following:

- Consumable virtual items represent items that are extinguished after consumption in the form of fixed charges levied on each round of games played. The Paying Players will not continue to benefit from the virtual items thereafter. Revenue is recognised (as a release from contract liabilities) when the items are consumed and the related services are rendered.
- Durable virtual items represent items that are accessible and beneficial to Paying Players over an extended period of time. Revenue is recognised rateably over the average life of durable virtual items for the applicable game, which the Group makes best estimates to be average playing period of Paying Players (“**Player Relationship Period**”).

For the Player Relationship Period, the Group tracks each of the Paying Players’ purchases and log in history for each significant game to estimate the average playing period of the Paying Players. If a new game is launched and only a limited period of Paying Player data is available, then the Group considers other qualitative factors, such as the playing patterns of paying users for other games with similar characteristics. The Player Relationship Period is assessed on a game-by-game basis.

If the Group does not have the ability to differentiate revenue attributable to durable virtual items from consumable virtual items for a specific game, the Group recognises revenue from both durable and consumable virtual items for that game rateably over the Player Relationship Period.

While the Group believes its estimates to be reasonable based on available game player information, it may revise such estimates in the future as the games’ operation periods change, sufficient individual game data become available, or there is indication that the similarities in characteristics and playing patterns of Paying Players of the games change. Any adjustments arising from changes in Player Relationship Period would be applied prospectively on the basis that such changes are caused by new information indicating a change in game player behaviour patterns. Any changes in the Group’s Player Relationship Period may result in revenues being recognised on a basis different from prior periods’ and may cause its operating results to fluctuate.

### 2.23 Interest income

Interest income from financial assets at fair value through profit or loss is included in the other gains/(losses), net in the profit or loss.

Interest income on financial assets measured at amortised cost calculated using the effective interest method is recognised in the profit or loss as part of other income.

Interest income is presented as finance income, net where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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### 2.24 Earnings per share

#### (i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

#### (ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### 2.25 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group’s incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

### 2.26 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### 2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

##### *(a) Market risk*

###### *(i) Foreign exchange risk*

The Group’s foreign currency transactions are mainly denominated in United States dollar (“US\$”), European dollar (“EUR”) and Hong Kong dollar (“HK\$”). The majority of assets and liabilities are denominated in RMB, US\$, EUR and HK\$ and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities denominating in a currency other than RMB, which is the functional currency of the major operating companies within the Group. The Group does not hedge its foreign currency exposure during the Track Record Period.

If US\$ had strengthened/weakened by 5% against RMB with all other variables held constant, the post-tax income would have been approximately RMB4,176,000, RMB2,430,000, RMB1,640,000 and RMB1,708,000 higher/lower for the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022, respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in US\$.

If EUR had strengthened/weakened by 5% against RMB with all other variables held constant, the post-tax income would have been approximately RMB567,000, RMB677,000, RMB834,000 and RMB852,000 lower/higher for the years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022, respectively, as a result of net foreign exchange losses/gains on translation of net monetary liabilities denominated in EUR.

If HK\$ had strengthened/weakened by 5% against RMB with all other variables held constant, the post-tax income would have been approximately RMB329,000 and RMB470,000 higher/lower for the years ended 31 December 2019 and 2020, respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in HK\$.

If HK\$ had strengthened/weakened by 5% against RMB with all other variables held constant, the post-tax income would have been approximately RMB2,842,000, and RMB3,173,000 lower/higher for the year ended 31 December 2021 and for the six months ended 30 June 2022, as a result of net foreign exchange losses/gains on translation of net monetary liabilities denominated in HK\$.

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(ii) *Price risk*

The Group’s exposure to equity price risk arises from its investments in wealth management products classified as financial assets at fair value through profit or loss. As at 31 December 2020, if the market bid prices of the investments had been 10% higher/lower, with all other variables held constants, the Group’s post-tax income for the year would increase/decrease by approximately RMB100,000, respectively. A 10% change is used when reporting the price risk internally to the management. The Group does not expose to price risk as at 31 December 2019, 31 December 2021 and 30 June 2022.

Management constantly reviews the portfolio of investments and maintains the Group’s exposures to price risk within an acceptable level.

(iii) *Cash flow and fair value interest rate risk*

The income and operating cash flows of the Group and the Company are both substantially independent of changes in market interest rates. Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments at variable rates expose the Group to cash flow interest rate risk. Financial instruments at fixed rate expose the Group to fair value interest rate risk. Both the Group and the Company have no significant interest-bearing assets or liabilities, except for deposits placed with banks and a financial liability at fair value through profit or loss, which was carried at fixed interest rate.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, if interest rates on all interest-bearing short-term bank deposits and cash and cash equivalents had been 50 basis points higher/lower with all other balances held constant, profit for the year and equity of the Group would have been RMB726,000, RMB819,000, RMB942,000 and RMB942,000 higher/lower respectively, due to higher/lower interest income earned on the bank deposits.

(b) *Credit risk*

Credit risk arises from short-term bank deposits (Note 22), cash and cash equivalents (Note 22), contractual cash flows of debt instruments carried at amortised cost (Notes 18, 19, 20 and 31) and financial assets measured at fair value through profit or loss (Note 21).

The carrying amounts of short-term bank deposits, cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost and financial assets measured at fair value through profit or loss represent the Group’s maximum exposure to credit risk in relation to financial assets.

(i) *Risk management*

Credit risk is managed on a group basis. To manage this risk, deposit with banks and financial assets at fair value through profit or loss are mainly placed with reputable financial institutions.

For trade receivables, management make periodic collective assessments as well as individual assessment on the recoverability of the receivables based on the historical settlement records and past experience. Trade receivables at the end of each reporting period were due from the third-party Platforms and Publishers in cooperation with the Group. If the strategic relationship with the third-party Platforms and Publishers are terminated or scaled-back; or if the third party Platforms and Publishers alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group’s corresponding trade receivables might be adversely affected in terms of recoverability.



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To manage this risk, the Group maintains frequent communications with the third party Platforms and Publishers to ensure the effective credit control. In view of the history of cooperation with the third-party Platforms and Publishers and the sound collection history of receivables due from them, the directors of the Company believe that the credit risk inherent in the Group’s outstanding trade receivables balances due from the third-party Platforms and Publishers is low. As at 31 December 2019, 2020 and 2021 and 30 June 2022, management consider contractual cash flows of debt instruments carried at amortised cost as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term.

Management considers the credit risks on amounts due from non-controlling interests, amounts due from shareholders and amounts due from related parties are minimal after considering the financial condition, past default history and repayment pattern of these entities. Management has performed assessment over the recoverability of the balances and management does not expect any losses from non-performance by these companies.

(ii) *Impairment of financial assets*

The Group has below financial assets that are subject to the expected credit loss model:

- trade receivables, and
- other financial assets at amortised cost.

While short-term bank deposits and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial. They are mainly placed with reputable financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss rate is close to zero.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group measures the expected credit losses on a combination of both individual and collective basis.

Measurement of expected credit loss on individual basis

Receivables relating to third party Platforms and Publishers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the balance of loss allowance in respect of these individually assessed receivables was RMB1,356,000, RMB3,944,000, RMB3,652,000 and RMB5,469,000 respectively.

The following table presents the balances of gross carrying amount and the loss allowance in respect of the individually assessed receivables as at 31 December 2019, 2020 and 2021 and 30 June 2022:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000
Gross carrying amount	1,356	3,944	3,652	5,469
Loss allowance	<u>(1,356)</u>	<u>(3,944)</u>	<u>(3,652)</u>	<u>(5,469)</u>
Net carrying amount	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>



Measurement of expected credit loss on collective basis

Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying the expected credit loss rates to the respective gross carrying amounts of the receivables.

The expected credit loss rates are determined based on historical credit losses and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the balance of loss allowance in respect of these collectively assessed trade receivables balances was RMB209,000, RMB45,000, RMB177,000 and RMB132,000 based on expected loss rates up to 1.7%, 1.3%, 1.3% and 1.2% applied on different groupings, respectively.

Impairment losses on receivables are presented as “(net impairment losses)/reversal of impairment loss on financial assets” in the consolidated statements of comprehensive income. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets carried at amortised cost

For other financial assets carried at amortised cost, including deposits and other receivables, amounts due from non-controlling interests, amounts due from shareholders, amounts due from related parties, short-term bank deposits and cash and cash equivalents, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the expected credit loss rate is close to zero as at 31 December 2019, 2020 and 2021 and 30 June 2022.

*(c) Liquidity risk*

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group’s finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group’s non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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<b>The Group</b>	<b>Less than 1 year RMB'000</b>	<b>Between 1 and 2 years RMB'000</b>	<b>Between 2 and 5 years RMB'000</b>	<b>Total RMB'000</b>
<b>At 31 December 2019</b>				
Trade payables	43,874	9,859	—	53,733
Other payables and accruals (excluding advance from the Publishers, payroll and welfare payables, other tax payables and others)	5,184	—	—	5,184
Lease liabilities	<u>1,812</u>	<u>609</u>	<u>—</u>	<u>2,421</u>
	<u>50,870</u>	<u>10,468</u>	<u>—</u>	<u>61,338</u>
<b>At 31 December 2020</b>				
Trade payables	41,333	—	—	41,333
Other payables and accruals (excluding advance from the Publishers, payroll and welfare payables, other tax payables and others)	3,235	—	—	3,235
Lease liabilities	<u>2,202</u>	<u>1,344</u>	<u>177</u>	<u>3,723</u>
	<u>46,770</u>	<u>1,344</u>	<u>177</u>	<u>48,291</u>
<b>At 31 December 2021</b>				
Trade payables	30,617	—	—	30,617
Other payables and accruals (excluding advance from the Publishers, payroll and welfare payables, other tax payables and others)	15,645	—	—	15,645
Lease liabilities	<u>5,066</u>	<u>5,433</u>	<u>2,692</u>	<u>13,191</u>
	<u>51,328</u>	<u>5,433</u>	<u>2,692</u>	<u>59,453</u>
<b>At 30 June 2022</b>				
Trade payables	31,982	—	—	31,982
Other payables and accruals (excluding advance from the Publishers, payroll and welfare payables, other tax payables and others)	13,321	—	—	13,321
Lease liabilities	<u>7,294</u>	<u>7,234</u>	<u>996</u>	<u>15,524</u>
	<u>52,597</u>	<u>7,234</u>	<u>996</u>	<u>60,827</u>

Details of the description of convertible bonds are presented in Note 21(b).

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**The Company**

	<b>Less than 1 year RMB'000</b>	<b>Between 1 and 2 years RMB'000</b>	<b>Between 2 and 5 years RMB'000</b>	<b>Total RMB'000</b>
<b>At 31 December 2019</b>				
Amounts due to subsidiaries	11,557	—	—	11,557
Other payables and accruals	<u>1,110</u>	<u>—</u>	<u>—</u>	<u>1,110</u>
	<u><u>12,667</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>12,667</u></u>
<b>At 31 December 2020</b>				
Amounts due to subsidiaries	15,188	—	—	15,188
Other payables and accruals	<u>2,222</u>	<u>—</u>	<u>—</u>	<u>2,222</u>
	<u><u>17,410</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>17,410</u></u>
<b>At 31 December 2021</b>				
Amounts due to subsidiaries	4,360	—	—	4,360
Other payables and accruals	<u>4,350</u>	<u>—</u>	<u>—</u>	<u>4,350</u>
	<u><u>8,710</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>8,710</u></u>
<b>At 30 June 2022</b>				
Amounts due to subsidiaries	5,343	—	—	5,343
Other payables and accruals	<u>5,218</u>	<u>—</u>	<u>—</u>	<u>5,218</u>
	<u><u>10,561</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>10,561</u></u>

Details of the description of convertible bonds are presented in Note 21(b).

**3.2 Capital management**

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. In the opinion of the directors of the Company, the Group’s capital risk is low.

**3.3 Fair value estimation**

*(a) Fair value hierarchy*

The table below analyses the Group’s and the Company’s financial instruments carried at fair value as at 31 December 2019, 2020 and 2021 and 30 June 2022 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

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- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group’s and the Company’s financial assets and liability that are measured at fair value as at 31 December 2019, 2020 and 2021 and 30 June 2022:

### The Group

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB’000	RMB’000	RMB’000	2022
				RMB’000
<b>Assets</b>				
Financial assets at fair value through profit or loss (Level 2)				
— Investments in wealth management products (Note 21(a))	—	999	—	—
	<u>—</u>	<u>999</u>	<u>—</u>	<u>—</u>

### The Group and the Company

#### Liability

Financial liability at fair value through profit or loss (Level 3)				
— Convertible bonds (Note 21(b))	—	—	65,642	66,956
	<u>—</u>	<u>—</u>	<u>65,642</u>	<u>66,956</u>

There were no significant transfers between level 1, level 2 and level 3 fair value hierarchy classifications for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022.

The Group’s financial assets carried at fair value are measured at fair value using level 2 inputs as at 31 December 2020. The Group’s and the Company’s financial liability carried at fair value is measured at fair value using level 3 inputs as at 31 December 2021 and 30 June 2022.

#### (i) Financial instruments in level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

#### (ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. This is the case for investments in wealth management products.

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*(iii) Financial instruments in level 3*

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for convertible bonds.

*(b) Valuation techniques used to determine fair values*

Specific valuation techniques used to value level 2 and level 3 financial instruments include quoted prices from a financial institution and finite difference method respectively. There are no changes in valuation techniques during the Track Record Period.

The Group’s finance department includes a team that performs the valuations of financial instruments required for financial reporting purposes, including level 3 fair values. As part of the valuation process, this team reports directly to the chief financial officer and external valuers will be engaged, if necessary.

The fair value of the convertible bonds is determined by valuation techniques and based on assumptions on market conditions existing at the end of the reporting period. The valuation model requires the input of subjective assumptions, including the expected volatility and risk-free rate.

*(c) Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the changes in level 3 financial instruments for the year ended 31 December 2021 and the six months ended 30 June 2022:

	<b>Financial liability at fair value through profit or loss</b>
	<b>Convertible bonds</b>
	<i>(Note 21(b))</i>
	<i>RMB’000</i>
<b>Balance at 1 January 2021</b>	—
Addition	64,163
Fair value loss recognised in profit or loss	<u>1,479</u>
<b>Balance at 31 December 2021 and 1 January 2022</b>	<u>65,642</u>
Fair value gain on extension of convertible bonds recognised in profit or loss	(3,065)
Fair value loss recognised in profit or loss	<u>4,379</u>
<b>Balance at 30 June 2022</b>	<u><u>66,956</u></u>

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Quantitative information about fair value measurements using significant unobservable inputs (level 3):

The key unobservable assumptions used in the valuation of the convertible bonds as at 21 June 2021 (date of issuance), 31 December 2021, 31 May 2022 (date of extension) and 30 June 2022 are:

Valuation technique	Unobservable inputs	At	At	At	At
		21 June 2021	31 December 2021	31 May 2022	30 June 2022
Finite difference method	Risk-free rate	0.1%	0.2%	1.51%	1.47%
	Expected volatility	55.2%	55.2%	53.4%	53.4%

As at 31 December 2021, the risk-free rate and expected volatility used to compute the fair value are 0.2% and 55.2%, respectively. If the risk-free rate and expected volatility shifted upward and downward by 2% and 5%, respectively, the impact on the profit or loss would be RMB325,000 lower/higher and RMB733,000 higher/lower, respectively. The higher the risk-free rate and lower the expected volatility, the lower the fair value.

As at 30 June 2022, the risk-free rate and expected volatility used to compute the fair value are 1.47% and 53.4%, respectively. If the risk-free rate and expected volatility shifted upward and downward by 2% and 5%, respectively, the impact on the profit or loss would be RMB309,000 lower/higher and RMB791,000 higher/lower, respectively. The higher the risk-free rate and lower the expected volatility, the lower the fair value.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### (a) Estimates of Player Relationship Period

As described in Note 2.22, the Group recognises the revenues rateably over the estimated average Player Relationship Period for the mobile games whereas the Group acts as principal. The determination of Player Relationship Period in each game is made based on the Group’s best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a periodical basis or there is any indication of change in the Player Relationship Period. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for as a change in accounting estimate.

##### (b) Impairment provision for trade receivables

The impairment provisions for trade receivables are based on assumptions about the expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 3.1(b) and Note 18. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statements of comprehensive income.

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**(c) Fair values of the financial liability at fair value through profit or loss**

The fair values of convertible bonds that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has finite difference method for the financial liability at fair value through profit or loss that is not traded in active markets. Changes in assumption used could materially affect the fair values of these balances and as a result affect the Group’s financial condition and result of operation.

**(d) Current and deferred income taxes**

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

**(e) Contractual Arrangement**

The Group conducts its business through Wangchen Technology and its subsidiaries. Due to the regulatory restrictions on the foreign ownership of the [REDACTED] Business in the PRC, the Group does not have any equity interest in Wangchen Technology. The Directors assessed whether or not the Group has control over Wangchen Technology and its subsidiaries by assessing whether it has the rights to variable returns from its involvement with Wangchen Technology and its subsidiaries and has the ability to affect those returns through its power over Wangchen Technology and its subsidiaries. After assessment, the Directors concluded that the Group has control over Wangchen Technology and its subsidiaries as a result of the Contractual Arrangements and accordingly the financial position and the operating results of Wangchen Technology and its subsidiaries are included in the Group’s consolidated financial statements throughout the Track Record Period or since the respective dates of incorporation/establishment, whichever is the earlier period. Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Wangchen Technology and its subsidiaries and uncertainties presented by the PRC legal system could impede the Group’s beneficiary rights of the results, assets and liabilities of Wangchen Technology and its subsidiaries. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations.

**5 SEGMENT INFORMATION AND REVENUE**

The Group’s business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision maker. As a result of this evaluation, the directors of the Company consider that the Group’s operations are operated and managed as a single segment, which is mobile sports game development, publishing and operation in the PRC, and no segment information is presented, accordingly.

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Revenue for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Web-based and mobile online game revenue — Over time	<u>378,630</u>	<u>404,745</u>	<u>459,851</u>	<u>180,974</u>	<u>294,775</u>

The Group has a large number of game players, no revenue from any individual game player exceeded 10% or more of the Group’s revenue during the Track Record Period.

The Group is mainly domiciled in the PRC. Majority of revenue are derived in the PRC and no revenue are derived from any other individual country exceeded 10% or more of the Group’s revenue during the Track Record Period. The Group’s non-current assets are substantially located in the PRC as at 31 December 2019, 2020 and 2021 and 30 June 2022.

### 6 OTHER GAINS/(LOSSES), NET

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Fair value gains on financial assets measured at fair value through profit or loss ( <i>Note 21(a)</i> )	526	334	485	211	45
Fair value gain on extension of a financial liability measured at fair value through profit or loss ( <i>Note 21(b)</i> )	—	—	—	—	3,065
Fair value loss on a financial liability measured at fair value through profit or loss ( <i>Note 21(b)</i> )	—	—	(1,479)	—	(4,379)
Loss on disposal of property, plant and equipment	—	(7)	(748)	(26)	—
Exchange gain/(loss), net	143	(5,187)	145	151	2,245
Others	—	(43)	460	397	58
	<u>669</u>	<u>(4,903)</u>	<u>(1,137)</u>	<u>733</u>	<u>1,034</u>



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### 7 OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
Government grants ( <i>Note a</i> )	763	1,593	2,978	1,184	2,706
Others	199	338	341	170	888
	<u>962</u>	<u>1,931</u>	<u>3,319</u>	<u>1,354</u>	<u>3,594</u>

*Note:*

- (a) The amounts represent the subsidies for technological innovation received from the local government grants. There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

### 8 EXPENSES BY NATURE

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
Commission fee to Platforms	142,939	157,331	168,098	69,185	102,290
Advertising and marketing expenses	54,468	56,309	76,451	28,325	67,742
Employee benefit expense ( <i>Note 9</i> )	54,548	62,496	82,490	35,477	49,158
Amortisation of intangible assets ( <i>Note 16</i> )	18,504	19,253	19,416	9,730	9,012
Revenue share to Publishers	14,764	8,129	5,682	3,215	2,244
Royalty fees	25,690	28,611	28,481	9,541	21,143
Server usage expenses	3,757	4,638	7,434	2,830	5,121
Utilities and office expenses	1,268	1,784	2,234	885	1,333
Graphic design expenses and dubbing fee	1,319	849	2,383	596	1,791
Depreciation of right-of-use assets ( <i>Note 15</i> )	2,465	2,733	4,056	1,211	3,123
Expenses relating to short-term leases	344	130	276	122	35
Depreciation of property, plant and equipment ( <i>Note 14</i> )	1,303	1,641	1,893	834	1,106
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other professional service fees	1,483	676	1,803	1,104	1,313
Auditors' remunerations	84	101	97	58	135
Traveling and entertainment expenses	688	444	359	214	357
Tax and levies	1,712	2,061	2,383	916	1,708
Others	1,590	1,638	1,815	574	1,020
Total of cost of revenue, selling and marketing expenses, general and administrative expenses, and research and development expenses	<u>331,124</u>	<u>353,594</u>	<u>421,208</u>	<u>178,075</u>	<u>274,324</u>

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**9 EMPLOYEE BENEFIT EXPENSE**

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
Wages, salaries and bonuses	47,225	56,267	66,487	28,088	38,813
Social security costs, housing provident fund and other staff cost	<u>7,323</u>	<u>6,229</u>	<u>16,003</u>	<u>7,389</u>	<u>10,345</u>
	<u><u>54,548</u></u>	<u><u>62,496</u></u>	<u><u>82,490</u></u>	<u><u>35,477</u></u>	<u><u>49,158</u></u>

**(a) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for each of the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2021 and 2022 include 2, 2, 2, 2 and 2 directors whose emoluments are reflected in analysis shown in Note (b) below. The emoluments payable to the remaining 3, 3, 3, 3 and 3 individuals for each of the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2021 and 2022 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
Basic salaries	1,634	2,178	2,390	1,125	1,408
Bonus	531	529	240	—	—
Other social security costs and housing benefits	<u>133</u>	<u>107</u>	<u>121</u>	<u>58</u>	<u>63</u>
Total	<u><u>2,298</u></u>	<u><u>2,814</u></u>	<u><u>2,751</u></u>	<u><u>1,183</u></u>	<u><u>1,471</u></u>

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021 (Unaudited)	2022
Nil to HK\$500,000	—	—	—	3	—
HK\$500,001 to HK\$1,000,000	3	1	—	—	3
HK\$1,000,001 to HK\$1,500,000	<u>—</u>	<u>2</u>	<u>3</u>	<u>—</u>	<u>—</u>
	<u><u>3</u></u>	<u><u>3</u></u>	<u><u>3</u></u>	<u><u>3</u></u>	<u><u>3</u></u>

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**(b) Benefits and interests of directors**

The remuneration of each director for the year ended 31 December 2019 is set out as below:

<b>Name</b>	<b>Salary</b> <i>RMB'000</i>	<b>Bonus</b> <i>RMB'000</i>	<b>Social security costs and housing benefits and other employee benefits</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<i>Executive directors</i>				
Jia Xiaodong	750	240	45	1,035
Li Xin	734	230	39	1,003
Huang Xiang	<u>456</u>	<u>130</u>	<u>38</u>	<u>624</u>
<b>Total</b>	<b><u>1,940</u></b>	<b><u>600</u></b>	<b><u>122</u></b>	<b><u>2,662</u></b>

The remuneration of each director for the year ended 31 December 2020 is set out as below:

<b>Name</b>	<b>Salary</b> <i>RMB'000</i>	<b>Bonus</b> <i>RMB'000</i>	<b>Social security costs and housing benefits and other employee benefits</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<i>Executive directors</i>				
Jia Xiaodong	806	280	45	1,131
Li Xin	805	162	39	1,006
Huang Xiang	<u>512</u>	<u>140</u>	<u>43</u>	<u>695</u>
<b>Total</b>	<b><u>2,123</u></b>	<b><u>582</u></b>	<b><u>127</u></b>	<b><u>2,832</u></b>

The remuneration of each director for the year ended 31 December 2021 is set out as below:

<b>Name</b>	<b>Salary</b> <i>RMB'000</i>	<b>Bonus</b> <i>RMB'000</i>	<b>Social security costs and housing benefits and other employee benefits</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<i>Executive directors</i>				
Jia Xiaodong	911	70	53	1,034
Li Xin	883	70	38	991
Huang Xiang	<u>550</u>	<u>35</u>	<u>53</u>	<u>638</u>
<b>Total</b>	<b><u>2,344</u></b>	<b><u>175</u></b>	<b><u>144</u></b>	<b><u>2,663</u></b>

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The remuneration of each director for the six months ended 30 June 2022 is set out as below:

Name	Salary RMB'000	Bonus RMB'000	Social security costs and housing benefits and other employee benefits RMB'000	Total RMB'000
<i>Executive directors</i>				
Jia Xiaodong	475	—	28	503
Li Xin	474	—	21	495
Huang Xiang	300	—	28	328
Total	1,249	—	77	1,326

The remuneration of each director for the six months ended 30 June 2021 is set out as below:

Name	Salary RMB'000 (Unaudited)	Bonus RMB'000 (Unaudited)	Social security costs and housing benefits and other employee benefits RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<i>Executive directors</i>				
Jia Xiaodong	429	—	25	454
Li Xin	428	—	19	447
Huang Xiang	271	—	25	296
Total	1,128	—	69	1,197

*Notes:*

Mr. Jia Xiaodong, Mr. Huang Xiang and Mr. Li Xin were appointed as the Company’s executive directors on 23 June 2021.

Mr. Zhan Peixun, Mr. Leung Ming Shu and Ms. Chak Hoi Kee Clara were appointed as the Company’s independent non-executive directors upon [REDACTED] of the Company. During the Track Record Period, the independent non-executive directors have not yet been appointed and did not receive any directors’ remuneration in the capacity of non-executive directors or independent non-executive directors.

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the companies comprising the Group.

No directors waived any emolument during the Track Record Period.

No director fee was paid to these directors in their capacity as directors of the Company or the companies comprising the Group.

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No emoluments were paid by the Company or the companies comprising the Group as an inducement to join the Company or the companies comprising the Group, or as compensation for loss of office during the Track Record Period.

*(i) Director’s retirement benefits and termination benefits*

None of the directors received or will receive any retirement benefits or termination benefits during the Track Record Period.

*(ii) Consideration provided to third parties for making available director’s services*

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors’ services.

*(iii) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporates by and controlled entities with such directors*

Save as disclosed in Note 31 in this report, there is no loans, quasi-loans and other dealing arrangement in favor of directors, or controlled body corporates and connected entities of such directors during the Track Record Period.

*(iv) Directors’ material interest in transactions, arrangements or contracts*

During the Track Record Period, there is no significant transactions, arrangements and contracts in relation to the Group’s business in which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the Track Record Period.

### 10 FINANCE INCOME, NET

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
	(Unaudited)				
Interest income					
— Bank deposits	1,221	1,013	1,478	562	1,067
— Interest accretion	498	—	—	—	—
	<u>1,719</u>	<u>1,013</u>	<u>1,478</u>	<u>562</u>	<u>1,067</u>
Interest expenses					
— Lease liabilities (Note 15(b))	(195)	(172)	(437)	(79)	(349)
— Interest accretion	—	(440)	(300)	(300)	(148)
	<u>(195)</u>	<u>(612)</u>	<u>(737)</u>	<u>(379)</u>	<u>(497)</u>
Finance income, net	<u>1,524</u>	<u>401</u>	<u>741</u>	<u>183</u>	<u>570</u>

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**11 INCOME TAX EXPENSE/(CREDIT)**

The income tax expense/(credit) of the Group for the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2021 and 2022 is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current tax	4,593	3,370	820	—	4,470
Deferred income tax ( <i>Note 26</i> )	259	696	1,516	(1,858)	(919)
	<u>4,852</u>	<u>4,066</u>	<u>2,336</u>	<u>(1,858)</u>	<u>3,551</u>

**(a) Cayman Islands and BVI Income Tax**

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Group entities established under the International Business Companies Acts of BVI are exempted from BVI income taxes.

**(b) Hong Kong Income Tax**

Hong Kong profits tax was calculated at rate of 16.5% on the assessable profits. No Hong Kong profits tax was provided for as there were sufficient available accumulated tax losses brought forward to offset against the estimated assessable profit for the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2021 and 2022.

**(c) PRC Corporate Income Tax (“CIT”)**

The income tax provision of the Group in respect of its operations in the PRC was calculated at the tax rate of 25% on the assessable profits, except for stated below, for the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

Wangchen Technology has obtained its qualification as a “High and New Technology Enterprise” (“HNTE”) in December 2019 and it is subject to a reduced preferential CIT rate of 15% for the years ended 31 December 2019 and 2020 according to the applicable tax preference applicable to the HNTE. Wangchen Technology is subject to CIT rate of 25% for the year ended 31 December 2021 and for the six months ended 30 June 2021 and 2022, and the enacted tax rate for the related deferred taxation was adjusted accordingly.

The WFOE has fulfilled the requirement of the “Preferential Corporate Income Tax Treatment for Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone” and it is subject to a reduced preferential CIT tax rate of 15% for the year ended 31 December 2021 and the six months ended 30 June 2021 and 2022.

**(d) PRC Withholding Tax (“WHT”)**

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

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During the Track Record Period, the Group did not require its PRC subsidiaries to distribute their retained earnings to foreign investors. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each reporting period.

The tax on the Group’s profit before tax differs from the theoretical amount that would arise using the PRC statutory income tax rate as follows:

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
Profit before income tax	<u>50,532</u>	<u>44,792</u>	<u>41,726</u>	<u>5,171</u>	<u>23,877</u>
Tax calculated at PRC statutory tax rate of 25%	12,633	11,198	10,432	1,293	5,969
Tax effects of:					
Preferential income tax rates	(5,861)	(5,287)	(2,348)	87	(1,354)
Differential income tax rates applicable to subsidiaries	342	390	1,564	1,117	363
Super deduction for research and development expenses ( <i>Note a</i> )	(3,905)	(4,889)	(8,264)	(4,417)	(4,010)
Income not taxable for tax purposes	(177)	(174)	(421)	(189)	(788)
Expenses not deductible for tax purpose ( <i>Note b</i> )	1,133	2,062	3,962	2,974	1,403
Utilisation of previously unrecognised tax losses	(3)	—	—	—	—
Tax losses for which no deferred income tax was recognised	690	766	505	371	1,968
Impact of tax rate change on deferred taxation ( <i>Note 11(c)</i> )	<u>—</u>	<u>—</u>	<u>(3,094)</u>	<u>(3,094)</u>	<u>—</u>
	<u>4,852</u>	<u>4,066</u>	<u>2,336</u>	<u>(1,858)</u>	<u>3,551</u>

Notes:

- (a) According to the relevant laws and regulations promulgated by the PRC State Administration of Taxation made effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim up to 175% of their qualified research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (“**Super Deduction**”). The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the Track Record Period.
- (b) The amount mainly represented [REDACTED] expenses for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022.

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### 12 EARNINGS PER SHARE

#### (a) Basis earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2021 and 2022.

In determining the weighted average number of shares in issue during the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2021 and 2022, 1,000,000 shares were deemed to have been issued on 1 January 2018 as if the Company has been incorporated by then.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	(Unaudited)				
Profit attributable to the owners of the Company (RMB'000)	<u>46,627</u>	<u>41,498</u>	<u>39,986</u>	<u>7,404</u>	<u>20,374</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Basic earnings per share attributable to the owners of the Company (RMB per share)	<u>46.6</u>	<u>41.5</u>	<u>40.0</u>	<u>7.4</u>	<u>20.4</u>

#### (b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit attributable to ordinary equity holders of the Company, adjusted to reflect the impact from any dilutive potential ordinary shares issued by the Group, as appropriate. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares assumed to have been issued on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

On June 2021, the Company issued convertible bonds in the principal amount of HK\$77,112,000 (equivalent to RMB64,163,000) (Note 21(b)), The conversion feature of the convertible bonds is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the year ended 31 December 2021 and the six months ended 30 June 2021 and 2022, therefore the conversion feature of convertible bonds has no dilutive effect on earnings per share calculation.

The basic and diluted earnings per share as presented above has not taken into account the proposed capitalisation issue of shares pursuant to the shareholders’ resolution passed on 21 December 2022 because the proposed capitalisation issue (Note 34) has not become effective as of the date of this report.

### 13 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

Dividends disclosed during each of the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 represented dividends declared and paid by Wangchen Technology to the shareholders based on their respective shareholdings. The rates for dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Dividends	<u>—</u>	<u>20,000</u>	<u>80,000</u>	<u>80,000</u>	<u>—</u>



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**14 PROPERTY, PLANT AND EQUIPMENT**

	<b>Computers and other equipment RMB'000</b>	<b>Furniture and fixtures RMB'000</b>	<b>Leasehold improvement RMB'000</b>	<b>Total RMB'000</b>
<b>At 1 January 2019</b>				
Cost	3,310	389	1,072	4,771
Accumulated depreciation	<u>(1,647)</u>	<u>(197)</u>	<u>(434)</u>	<u>(2,278)</u>
<b>Net book amount</b>	<b><u>1,663</u></b>	<b><u>192</u></b>	<b><u>638</u></b>	<b><u>2,493</u></b>
<b>Year ended 31 December 2019</b>				
Opening net book amount	1,663	192	638	2,493
Additions	838	85	—	923
Depreciation (Note 8)	<u>(911)</u>	<u>(57)</u>	<u>(335)</u>	<u>(1,303)</u>
<b>Closing net book amount</b>	<b><u>1,590</u></b>	<b><u>220</u></b>	<b><u>303</u></b>	<b><u>2,113</u></b>
<b>At 31 December 2019</b>				
Cost	4,148	474	1,072	5,694
Accumulated depreciation	<u>(2,558)</u>	<u>(254)</u>	<u>(769)</u>	<u>(3,581)</u>
<b>Net book amount</b>	<b><u>1,590</u></b>	<b><u>220</u></b>	<b><u>303</u></b>	<b><u>2,113</u></b>
<b>Year ended 31 December 2020</b>				
Opening net book amount	1,590	220	303	2,113
Additions	731	304	1,030	2,065
Disposal	—	—	(7)	(7)
Depreciation (Note 8)	<u>(1,036)</u>	<u>(151)</u>	<u>(454)</u>	<u>(1,641)</u>
<b>Closing net book amount</b>	<b><u>1,285</u></b>	<b><u>373</u></b>	<b><u>872</u></b>	<b><u>2,530</u></b>
<b>At 31 December 2020</b>				
Cost	4,879	778	2,035	7,692
Accumulated depreciation	<u>(3,594)</u>	<u>(405)</u>	<u>(1,163)</u>	<u>(5,162)</u>
<b>Net book amount</b>	<b><u>1,285</u></b>	<b><u>373</u></b>	<b><u>872</u></b>	<b><u>2,530</u></b>
<b>Year ended 31 December 2021</b>				
Opening net book amount	1,285	373	872	2,530
Additions	1,703	463	2,452	4,618
Disposal	(138)	(125)	(485)	(748)
Depreciation (Note 8)	<u>(1,013)</u>	<u>(199)</u>	<u>(681)</u>	<u>(1,893)</u>
<b>Closing net book amount</b>	<b><u>1,837</u></b>	<b><u>512</u></b>	<b><u>2,158</u></b>	<b><u>4,507</u></b>
<b>At 31 December 2021</b>				
Cost	3,060	732	3,160	6,952
Accumulated depreciation	<u>(1,223)</u>	<u>(220)</u>	<u>(1,002)</u>	<u>(2,445)</u>
<b>Net book amount</b>	<b><u>1,837</u></b>	<b><u>512</u></b>	<b><u>2,158</u></b>	<b><u>4,507</u></b>

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	<b>Computers and other equipment</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvement</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Six months ended 30 June 2022</b>				
Opening net book amount	1,837	512	2,158	4,507
Additions	1,828	310	366	2,504
Depreciation ( <i>Note 8</i> )	<u>(542)</u>	<u>(122)</u>	<u>(442)</u>	<u>(1,106)</u>
<b>Closing net book amount</b>	<b><u>3,123</u></b>	<b><u>700</u></b>	<b><u>2,082</u></b>	<b><u>5,905</u></b>
<b>At 30 June 2022</b>				
Cost	4,855	923	2,949	8,727
Accumulated depreciation	<u>(1,732)</u>	<u>(223)</u>	<u>(867)</u>	<u>(2,822)</u>
<b>Net book amount</b>	<b><u>3,123</u></b>	<b><u>700</u></b>	<b><u>2,082</u></b>	<b><u>5,905</u></b>
(Unaudited)				
<b>Six months ended 30 June 2021</b>				
Opening net book amount	1,285	373	872	2,530
Additions	655	147	862	1,664
Disposal	(1)	(25)	—	(26)
Depreciation ( <i>Note 8</i> )	<u>(501)</u>	<u>(82)</u>	<u>(251)</u>	<u>(834)</u>
<b>Closing net book amount</b>	<b><u>1,438</u></b>	<b><u>413</u></b>	<b><u>1,483</u></b>	<b><u>3,334</u></b>
<b>At 30 June 2021</b>				
Cost	4,447	740	2,897	8,084
Accumulated depreciation	<u>(3,009)</u>	<u>(327)</u>	<u>(1,414)</u>	<u>(4,750)</u>
<b>Net book amount</b>	<b><u>1,438</u></b>	<b><u>413</u></b>	<b><u>1,483</u></b>	<b><u>3,334</u></b>

Depreciation expenses have been charged to the consolidated statements of comprehensive income as follows:

	<b>Year ended 31 December</b>			<b>Six months ended 30 June</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of revenue	185	227	264	111	171
Selling and marketing expenses	149	200	257	111	156
General and administrative expenses	118	147	161	73	80
Research and development expenses	<u>851</u>	<u>1,067</u>	<u>1,211</u>	<u>539</u>	<u>699</u>
	<b><u>1,303</u></b>	<b><u>1,641</u></b>	<b><u>1,893</u></b>	<b><u>834</u></b>	<b><u>1,106</u></b>

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**15 LEASES**

**(a) Amounts recognised in the consolidated statements of financial position**

The consolidated statements of financial position show the following amounts relating to leases:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<b>Right-of-use assets</b>				
Properties	2,610	3,541	12,488	14,445
	<u>2,610</u>	<u>3,541</u>	<u>12,488</u>	<u>14,445</u>
<b>Lease liabilities</b>				
Current	1,737	2,082	4,558	6,736
Non-current	600	1,484	7,830	7,986
	<u>600</u>	<u>1,484</u>	<u>7,830</u>	<u>7,986</u>
	<u>2,337</u>	<u>3,566</u>	<u>12,388</u>	<u>14,722</u>

Additions to the right-of-use assets during the years ended 31 December 2020 and 2021 and six months ended 30 June 2022 are RMB4,163,000, RMB14,105,000 and RMB5,080,000, respectively. There is no addition to right-of-use assets during the year ended 31 December 2019 and six months ended 30 June 2021.

**(b) Amounts recognised in the consolidated statements of comprehensive income**

The consolidated statements of comprehensive income show the following amounts related to leases:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Depreciation of right-of-use assets ( <i>Note</i> )	2,465	2,733	4,056	1,211	3,123
	<u>2,465</u>	<u>2,733</u>	<u>4,056</u>	<u>1,211</u>	<u>3,123</u>
Interest expense (included in finance income, net)	195	172	437	79	349
	<u>195</u>	<u>172</u>	<u>437</u>	<u>79</u>	<u>349</u>

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*Note:*

Depreciation expenses of right-of-use assets have been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
Cost of revenue	350	379	566	162	483
Selling and marketing expenses	281	333	550	162	442
General and administrative expenses	225	244	346	106	226
Research and development expenses	1,609	1,777	2,594	781	1,972
	<u>2,465</u>	<u>2,733</u>	<u>4,056</u>	<u>1,211</u>	<u>3,123</u>

The total cash outflow for leases in the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 are RMB3,193,000, RMB2,694,000 and RMB4,864,000 and RMB1,441,000 and RMB3,130,000 respectively, including payment of principal elements and interest elements of lease liabilities and short-term leases.

### (c) The Group’s leasing activities

The Group leases various properties as its offices. Rental contracts are typically made for fixed periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants nor pledge as security for borrowing purposes.

The Group has applied an exemption to HKFRS 16 on certain short-term leases where the lease terms are within 1 year or less. For the leases where the exemption applied, the lease expenses of RMB344,000, RMB130,000 and RMB276,000, RMB122,000 and RMB35,000 are recognised as expenses relating to short-term leases in the general and administrative expenses as incurred for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, respectively.

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**16 INTANGIBLE ASSETS**

	<b>Licenses</b> <i>RMB'000</i>	<b>Software</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>At 1 January 2019</b>			
Cost	49,483	214	49,697
Accumulated amortisation	<u>(33,126)</u>	<u>(15)</u>	<u>(33,141)</u>
<b>Net book amount</b>	<b><u>16,357</u></b>	<b><u>199</u></b>	<b><u>16,556</u></b>
<b>Year ended 31 December 2019</b>			
Opening net book amount	16,357	199	16,556
Additions	35,862	115	35,977
Amortisation ( <i>Note 8</i> )	<u>(18,490)</u>	<u>(14)</u>	<u>(18,504)</u>
<b>Closing net book amount</b>	<b><u>33,729</u></b>	<b><u>300</u></b>	<b><u>34,029</u></b>
<b>At 31 December 2019</b>			
Cost	85,345	329	85,674
Accumulated amortisation	<u>(51,616)</u>	<u>(29)</u>	<u>(51,645)</u>
<b>Net book amount</b>	<b><u>33,729</u></b>	<b><u>300</u></b>	<b><u>34,029</u></b>
<b>Year ended 31 December 2020</b>			
Opening net book amount	33,729	300	34,029
Additions	11,383	71	11,454
Amortisation ( <i>Note 8</i> )	<u>(19,167)</u>	<u>(86)</u>	<u>(19,253)</u>
<b>Closing net book amount</b>	<b><u>25,945</u></b>	<b><u>285</u></b>	<b><u>26,230</u></b>
<b>At 31 December 2020</b>			
Cost	96,728	400	97,128
Accumulated amortisation	<u>(70,783)</u>	<u>(115)</u>	<u>(70,898)</u>
<b>Net book amount</b>	<b><u>25,945</u></b>	<b><u>285</u></b>	<b><u>26,230</u></b>
<b>Year ended 31 December 2021</b>			
Opening net book amount	25,945	285	26,230
Additions	8,040	164	8,204
Amortisation ( <i>Note 8</i> )	<u>(19,258)</u>	<u>(158)</u>	<u>(19,416)</u>
<b>Closing net book amount</b>	<b><u>14,727</u></b>	<b><u>291</u></b>	<b><u>15,018</u></b>
<b>At 31 December 2021</b>			
Cost	104,768	564	105,332
Accumulated amortisation	<u>(90,041)</u>	<u>(273)</u>	<u>(90,314)</u>
<b>Net book amount</b>	<b><u>14,727</u></b>	<b><u>291</u></b>	<b><u>15,018</u></b>

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	<b>Licenses</b> <i>RMB'000</i>	<b>Software</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Six months ended 30 June 2022</b>			
Opening net book amount	14,727	291	15,018
Additions	3,920	872	4,792
Amortisation ( <i>Note 8</i> )	<u>(8,880)</u>	<u>(132)</u>	<u>(9,012)</u>
<b>Closing net book amount</b>	<b><u>9,767</u></b>	<b><u>1,031</u></b>	<b><u>10,798</u></b>
<b>At 30 June 2022</b>			
Cost	108,688	1,436	110,124
Accumulated amortisation	<u>(98,921)</u>	<u>(405)</u>	<u>(99,326)</u>
<b>Net book amount</b>	<b><u>9,767</u></b>	<b><u>1,031</u></b>	<b><u>10,798</u></b>
(Unaudited)			
<b>Six months ended 30 June 2021</b>			
Opening net book amount	25,945	285	26,230
Additions	—	61	61
Amortisation ( <i>Note 8</i> )	<u>(9,652)</u>	<u>(78)</u>	<u>(9,730)</u>
<b>Closing net book amount</b>	<b><u>16,293</u></b>	<b><u>268</u></b>	<b><u>16,561</u></b>
<b>At 30 June 2021</b>			
Cost	96,728	461	97,189
Accumulated amortisation	<u>(80,435)</u>	<u>(193)</u>	<u>(80,628)</u>
<b>Net book amount</b>	<b><u>16,293</u></b>	<b><u>268</u></b>	<b><u>16,561</u></b>

Amortisation expenses have been charged to the consolidated statements of comprehensive income as follows:

	<b>Year ended 31 December</b>			<b>Six months ended 30 June</b>	
	<b>2019</b> <i>RMB'000</i>	<b>2020</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>	<b>2021</b> <i>RMB'000</i>	<b>2022</b> <i>RMB'000</i>
Cost of revenue	15,176	19,100	19,258	9,652	8,880
General and administrative expenses	<u>3,328</u>	<u>153</u>	<u>158</u>	<u>78</u>	<u>132</u>
	<b><u>18,504</u></b>	<b><u>19,253</u></b>	<b><u>19,416</u></b>	<b><u>9,730</u></b>	<b><u>9,012</u></b>

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**17 FINANCIAL INSTRUMENTS BY CATEGORY**

**The Group**

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<b>Assets as per consolidated statements of financial position</b>				
Financial assets at fair value through profit or loss:				
— Investments in wealth management products ( <i>Note 21(a)</i> )	—	999	—	—
Financial assets measured at amortised costs:				
— Trade receivables ( <i>Note 18</i> )	27,392	20,321	35,598	52,251
— Deposits and other receivables (excluding prepayment) ( <i>Note 19</i> )	1,388	570	2,233	2,399
— Amounts due from non-controlling interests ( <i>Note 20</i> )	1,865	1,865	1,715	675
— Amounts due from shareholders ( <i>Note 31</i> )	120	48	—	—
— Amounts due from related parties ( <i>Note 31</i> )	232	4,136	36	—
— Short-term deposits ( <i>Note 22</i> )	90	85	83	—
— Cash and cash equivalents ( <i>Note 22</i> )	145,032	163,723	188,410	188,493
	<u>176,119</u>	<u>191,747</u>	<u>228,075</u>	<u>243,818</u>
<b>Liabilities as per consolidated statements of financial position</b>				
Financial liability at fair value through profit or loss:				
— Convertible bonds ( <i>Note 21(b)</i> )	—	—	65,642	66,956
Financial liabilities at amortised cost:				
— Trade payables ( <i>Note 27</i> )	53,022	41,031	30,617	31,982
— Other payables and accruals (excluding advance from the Publishers, payroll and welfare payables and other tax payables) ( <i>Note 28</i> )	5,184	3,235	15,645	13,321
— Lease liabilities ( <i>Note 15</i> )	2,337	3,566	12,388	14,722
	<u>60,543</u>	<u>47,832</u>	<u>124,292</u>	<u>126,981</u>

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**The Company**

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB’000	RMB’000	RMB’000	2022
				RMB’000
<b>Assets as per statements of financial position</b>				
Financial assets measured at amortised costs:				
— Amount due from a subsidiary ( <i>Note 31</i> )	—	—	35,956	31,083
— Cash and cash equivalents ( <i>Note 22</i> )	—	—	11	93
	<u>—</u>	<u>—</u>	<u>35,967</u>	<u>31,176</u>
	<u>—</u>	<u>—</u>	<u>35,967</u>	<u>31,176</u>
<b>Liabilities as per statements of financial position</b>				
Financial liability at fair value through profit or loss:				
— Convertible bonds ( <i>Note 21(b)</i> )	—	—	65,642	66,956
Financial liabilities at amortised cost:				
— Amounts due to subsidiaries ( <i>Note 31</i> )	11,557	15,188	4,360	5,343
— Other payables and accruals ( <i>Note 28</i> )	1,110	2,222	4,350	5,218
	<u>12,667</u>	<u>17,410</u>	<u>74,352</u>	<u>77,517</u>
	<u>12,667</u>	<u>17,410</u>	<u>74,352</u>	<u>77,517</u>

**18 TRADE RECEIVABLES**

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB’000	RMB’000	RMB’000	2022
				RMB’000
Trade receivables	28,957	24,310	39,427	57,852
Less: net impairment loss on trade receivables	<u>(1,565)</u>	<u>(3,989)</u>	<u>(3,829)</u>	<u>(5,601)</u>
Trade receivables, net	<u>27,392</u>	<u>20,321</u>	<u>35,598</u>	<u>52,251</u>
	<u>27,392</u>	<u>20,321</u>	<u>35,598</u>	<u>52,251</u>

- (a) The credit terms of trade receivables granted by the Group are normally from 30 to 90 days. An aging analysis of trade receivables based on recognition date is as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB’000	RMB’000	RMB’000	2022
				RMB’000
Up to 3 months	20,920	19,607	34,398	52,389
3 months to 1 year	4,139	762	1,305	1,811
Over 1 year	<u>3,898</u>	<u>3,941</u>	<u>3,724</u>	<u>3,652</u>
	<u>28,957</u>	<u>24,310</u>	<u>39,427</u>	<u>57,852</u>
	<u>28,957</u>	<u>24,310</u>	<u>39,427</u>	<u>57,852</u>



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- (b) The Group applies the HKFRS 9 simplified approach to measure expected credit loss which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit loss, trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance, the remaining trade receivables have been grouped based on shared credit risk characteristics. Future cash flows for each group receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information.

The expected losses rate for the Platforms is up to 1.7%, 1.3% and 1.3%, 1.3% and 1.2% for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022. Based on management’s assessment, the Group recorded impairment losses on trade receivables of RMB129,000 and RMB3,788,000 and RMB1,772,000 during the years ended 31 December 2019 and 2020 and the six months ended 30 June 2022, respectively and reversal of impairment loss on trade receivables of RMB160,000 during the year ended 31 December 2021 in the consolidated statements of comprehensive income.

Movements on the Group’s provision for impairment of trade receivables are as follows:

	As at 31 December			As at 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/ period	1,436	1,565	3,989	3,989	3,829
Provision for/(reversal of) impairment	129	3,788	(160)	(2)	1,772
Written off	—	(1,364)	—	—	—
At end of the year/period	<u>1,565</u>	<u>3,989</u>	<u>3,829</u>	<u>3,987</u>	<u>5,601</u>

- (c) As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Group’s trade receivables were denominated in the following currencies:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
RMB	18,708	15,389	17,607	21,010
US\$	7,922	7,955	15,735	33,173
HK\$	<u>2,327</u>	<u>966</u>	<u>6,085</u>	<u>3,669</u>
	<u>28,957</u>	<u>24,310</u>	<u>39,427</u>	<u>57,852</u>

The provisions for impaired receivables have been included in “net impairment losses/reversal of impairment loss on financial assets” in the consolidated statements of comprehensive income.

- (d) As at 31 December 2019, 2020 and 2021 and 30 June 2022, the fair values of trade receivables approximated their carrying amounts. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the net receivable balance. The Group does not hold any collateral as security.

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### 19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

#### The Group

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>				
Deposits	268	312	1,235	1,526
Prepayment for royalty fees ( <i>Note a</i> )	—	3,241	—	6,588
Prepayment for renovation cost	—	—	—	513
Loans granted to employees	172	116	—	362
	<u>440</u>	<u>3,669</u>	<u>1,235</u>	<u>8,989</u>
<b>Current assets</b>				
Prepayment for royalty fees ( <i>Note a</i> )	275	275	363	315
Prepayment for advertisement and marketing expenses	908	1,966	5,666	4,045
Prepayment for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other prepayments	1,000	1,071	1,481	2,086
Loans granted to employees	470	36	466	36
Other receivables	478	106	532	475
	<u>8,221</u>	<u>8,535</u>	<u>15,942</u>	<u>18,073</u>

*Note:*

- (a) Prepayment for royalty fees represents upfront license fees paid to licensors before the terms commenced as the Group will be entitled to the non-exclusive rights to use the intellectual properties in specified geographic areas for certain period of time.

The maximum exposure to credit risk as at 31 December 2019, 2020 and 2021 and 30 June 2022 was the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security. The carrying amounts of other financial assets at amortised cost approximate to their fair values and are mainly denominated in RMB.

During the Track Record Period, the expected loss rate for deposits and other receivables is close to zero.

#### The Company

The balance mainly represents prepaid [REDACTED] expenses as at 31 December 2019, 2020 and 2021 and 30 June 2022.

### 20 AMOUNTS DUE FROM NON-CONTROLLING INTERESTS

The amounts are non-interest bearing, unsecured and repayable on demand. The maximum exposure to credit risk as at 31 December 2019, 2020 and 2021 and 30 June 2022 was the carrying value of amounts due from non-controlling interests. The carrying amounts of the balance approximate to their fair values and are denominated in RMB. These balances are non-trade in nature. The amounts due from non-controlling interests will be settled prior to the [REDACTED].

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**21 FINANCIAL ASSETS/LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS**

**(a) Financial assets at fair value through profit or loss**

**The Group**

The Group’s financial assets at fair value through profit or loss mainly represent investments in wealth management products. These financial assets are mandatory measured at fair value through profit or loss and with following details.

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB’000	RMB’000	RMB’000	RMB’000
At the beginning of the year/period	9,800	—	999	—
Additions	55,500	104,709	111,500	19,800
Disposals	(65,826)	(104,044)	(112,984)	(19,845)
Fair value changes recognised in profit or loss (Note 6)	526	334	485	45
At the end of year/period	—	999	—	—

The investment in Yingnuo Ruier (Note 1.1) is accounted for as a financial asset at fair value through profit or loss. As Yingnuo Ruier has no business operation, the management considers the fair value of this investment is immaterial during the Track Record Period.

**(b) Financial liability at fair value through profit or loss**

**The Group and the Company**

On June 16, 2021, the Company, Garena Ventures Private Limited (“**Garena Ventures**”), Mr. Jia Xiaodong, Mr. Huang Xiang, the WFOE, Wangchen Technology, Gala Technology (BVI), Gala Technology (HK) and Gala Sports HK entered into a subscription agreement (the “**Pre-[REDACTED] CB Subscription Agreement**”), pursuant to which Garena Ventures agreed to subscribe for convertible bonds (“**Pre-[REDACTED] Convertible Bonds**”) issued by the Company in the principal amount of HK\$77,112,000 (equivalent to RMB64,163,000) and a conversion price of HK\$[REDACTED] per share (“**Conversion Price**”) subject to adjustment for consolidation, sub-division, [REDACTED] and issuance of new shares at a price less than the Conversion Price (which does not represent any discount to the mid-point of the [REDACTED] range). The issuance of the Pre-[REDACTED] Convertible Bonds by the Company to Garena Ventures was completed on 21 June 2021. The Pre-[REDACTED] Convertible Bonds are automatically convertible into ordinary shares of the Company immediately at a conversion price upon completion of the [REDACTED] and the [REDACTED] (the “**Qualified [REDACTED]**”), with a maturity date of 6 June 2022 (the “**Maturity Date**”). Assuming full conversion of the Pre-[REDACTED] Convertible Bonds immediately before the [REDACTED], Garena Ventures will be issued [REDACTED] shares, representing approximately [REDACTED] of the issued share capital of the Company immediately upon [REDACTED]. The Pre-[REDACTED] Convertible Bonds shall bear a simple interest computed at a rate of 5% per annum (on the basis of a 365-day year and the actual number of days elapsed), commencing on the issuance date of the Pre-[REDACTED] Convertible Bonds and until the full payment of the principal amount and payable at maturity or redemption of the Pre-[REDACTED] Convertible Bonds. They are not interest bearing if the conversion takes place before the Maturity Date.

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The Pre-[REDACTED] Convertible Bonds is redeemable at the option of Garena Venture if it is expected that the Company will not be [REDACTED] on the Stock Exchange or other reputable stock exchange in the United States or the PRC or such other stock exchange approved by Garena Ventures (“Qualified [REDACTED]”) on or before the Maturity Date, or that the final [REDACTED] per share of a Qualified [REDACTED] is lower than the then effective Conversion Price, Garena Ventures may, at its sole discretion, elect (i) to require the Company to redeem the Pre-[REDACTED] Convertible Bonds on the Maturity Date in the event that the aforesaid [REDACTED] is not consummated on or before the Maturity Date, or that the final [REDACTED] per share of such [REDACTED] is lower than the then effective conversion price; or (ii) to require the Company to convert the Pre-[REDACTED] Convertible Bonds into such number of a new series of preferred shares of the Company with the most senior ranking.

If a Qualified [REDACTED] occurs with a final [REDACTED] per share being lower than the then effective Conversion Price, subject to sole discretion of Garena Ventures, Garena Ventures may, by delivering a notice to the Company to elect to convert all or part of the principal amount of the Pre-[REDACTED] Convertible Bonds outstanding into fully-paid Shares to be issued by the Company on or immediately prior to the [REDACTED] at the then effective Conversion Price, subject to conditions as prescribed the Pre-[REDACTED] CB Subscription Agreement.

On 31 May 2022, the Company and Garena Ventures agreed to extend the Maturity Date of the Pre-[REDACTED] Convertible Bonds from 6 June 2022 to 6 June 2023, with other terms and conditions remain unchanged. Fair value gain of RMB3,065,000 was then recognised in the profit or loss.

The convertible bonds are recognised as financial liability at fair value through profit or loss, and measured with following details.

	<b>As at 31 December 2021 RMB'000</b>	<b>As at 30 June 2022 RMB'000</b>
At the beginning of the year/period	—	65,642
Addition	64,163	—
Fair value gain on extension of convertible bonds recognised in profit or loss	—	(3,065)
Fair value loss recognised in profit or loss	<u>1,479</u>	<u>4,379</u>
At the end of year/period	<u><u>65,642</u></u>	<u><u>66,956</u></u>

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**22 CASH AND BANK BALANCES**

**(a) Cash and cash equivalents**

**The Group**

	As at 31 December			As at
	2019	2020	2021	30 June
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash at bank and on hand	<u>145,032</u>	<u>163,723</u>	<u>188,410</u>	<u>188,493</u>

**The Company**

	As at 31 December			As at
	2019	2020	2021	30 June
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash at bank and on hand	<u>—</u>	<u>—</u>	<u>11</u>	<u>93</u>

**(b) Short-term bank deposits**

	As at 31 December			As at
	2019	2020	2021	30 June
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Short-term bank deposits	<u>90</u>	<u>85</u>	<u>83</u>	<u>—</u>

As at 31 December 2019, 2020 and 2021, the short-term bank deposits were placed to secure corporate credit card facilities of HK\$100,000.

As at 30 June 2022, the Group did not have any short-term bank deposits.

As at 31 December 2019, 2020 and 2021, the short-term bank deposits represented bank deposits of the Group with original maturities over three months but less than one year which are denominated in HK\$. The effective interest rate on short-term bank deposits as at 31 December 2019, 2020 and 2021 were 0.40%, 0.25%, 0.15% per annum, respectively.

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- (c) As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Group’s cash and bank balances were denominated in the following currencies:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB’000	RMB’000	RMB’000	2022
RMB	25,848	87,996	152,758	167,083
US\$	114,946	67,398	33,026	18,351
HK\$	4,324	8,410	2,709	3,059
Others	4	4	—	—
	<u>145,122</u>	<u>163,808</u>	<u>188,493</u>	<u>188,493</u>

Funds of the Group amounts to RMB25,840,000, RMB38,033,000, RMB29,761,000 and RMB28,655,000 as at December 2019, 2020 and 2021 and 30 June 2022, respectively, are kept in the bank accounts with banks in the PRC where the remittance of funds is subject to foreign exchange control.

### 23 SHARE CAPITAL AND COMBINED CAPITAL

#### (a) Share capital

	Number of shares	Share capital RMB
Issued:		
Ordinary shares of HK\$0.01 each		
As at 1 January 2019, 31 December 2019, 1 January 2020	50,000	424
Repurchase and cancellation of ordinary shares	<u>(10,000)</u>	<u>(106)</u>
As at 31 December 2020, 1 January 2021	40,000	318
Issuance of ordinary shares	<u>960,000</u>	<u>7,833</u>
As at 31 December 2021, 1 January 2022 and 30 June 2022	<u>1,000,000</u>	<u>8,151</u>

The Company was incorporated with limited liability in the Cayman Islands on 12 June 2018 with an authorised share capital of 38,000,000 shares of HK\$0.01 each.

During the year ended 31 December 2021, as a part of Reorganisation, the Company issued 960,000 shares at HK\$0.01 each to the offshore investment vehicles of the beneficial owners of Wangchen Technology at a consideration of RMB7,833.

#### (b) Combined Capital

The combined share capital and reserves during the years ended 31 December 2019 and 2020 represent the combined share capital and reserves of the companies comprising the Group after elimination of inter-company transactions and balances. On 14 May 2021, the balance of combined share capital of RMB11,778,000 and capital reserve of RMB44,734,000 were reclassified to other reserve upon the completion of the Reorganisation (Note 1.2).

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**24 OTHER RESERVES**

**The Group**

	<b>Capital reserve RMB'000</b>	<b>Statutory reserve RMB'000</b>	<b>Other reserve RMB'000</b>	<b>Total RMB'000</b>
<b>At 1 January 2019</b>	44,734	3,799	—	48,533
Appropriation to statutory reserves (Note a)	<u>—</u>	<u>6,404</u>	<u>—</u>	<u>6,404</u>
<b>At 31 December 2019</b>	<u>44,734</u>	<u>10,203</u>	<u>—</u>	<u>54,937</u>
<b>At 1 January 2020</b>	44,734	10,203	—	54,937
Appropriation to statutory reserves (Note a)	<u>—</u>	<u>7,202</u>	<u>—</u>	<u>7,202</u>
<b>At 31 December 2020</b>	<u>44,734</u>	<u>17,405</u>	<u>—</u>	<u>62,139</u>
<b>At 1 January 2021</b>	44,734	17,405	—	62,139
Appropriation to statutory reserves (Note a)	<u>—</u>	<u>5,914</u>	<u>—</u>	<u>5,914</u>
Reclassification of combined capital and capital reserve to other reserve pursuant to the Reorganisation (Note 23)	<u>(44,734)</u>	<u>—</u>	<u>56,512</u>	<u>11,778</u>
Acquisition of non-controlling interest in a subsidiary (Note b)	<u>—</u>	<u>—</u>	<u>(276)</u>	<u>(276)</u>
<b>At 31 December 2021</b>	<u>—</u>	<u>23,319</u>	<u>56,236</u>	<u>79,555</u>
<b>At 1 January 2022</b>	—	23,319	56,236	79,555
Acquisition of non-controlling interests in a subsidiary (Note b)	<u>—</u>	<u>—</u>	<u>(2,103)</u>	<u>(2,103)</u>
<b>At 30 June 2022</b>	<u>—</u>	<u>23,319</u>	<u>54,133</u>	<u>77,452</u>
(Unaudited)				
<b>At 1 January 2021</b>	44,734	17,405	—	62,139
Reclassification of combined capital and capital reserve to other reserve pursuant to the Reorganisation (Note 23)	<u>(44,734)</u>	<u>—</u>	<u>56,512</u>	<u>11,778</u>
Acquisition of non-controlling interests in a subsidiary (Note b)	<u>—</u>	<u>—</u>	<u>(276)</u>	<u>(276)</u>
<b>At 30 June 2021</b>	<u>—</u>	<u>17,405</u>	<u>56,236</u>	<u>73,641</u>

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*Notes:*

(a) Statutory reserve

In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalised as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered paid in capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective Reserve Fund. The percentage of net profit to be appropriated to the Reserve Fund is not less than 10% of the net profit. When the balance of the Reserve Fund reaches 50% of the registered capital, such transfer needs not be made. With approvals obtained from respective boards of directors of these companies, the Reserve Fund can be used to offset accumulated deficit or to increase capital.

(b) Acquisition of non-controlling interest in a subsidiary

On 9 June 2021, a non-controlling interest transferred 3% equity interest in Chuangzhen Shijie to WFOE, other reserve of RMB276,000 is recognised in the consolidated statements of changes in equity as a result of this transaction.

On 6 January 2022, a non-controlling interest transferred 21% equity interest in Chuangzhen Shijie to WFOE, other reserve of RMB2,103,000 is recognised in the consolidated statements of changes in equity as a result of this transaction.

**The Company**

	<b>Other reserve</b> <i>RMB'000</i>
As at 1 January 2019, 31 December 2019, 1 January 2020, 31 December 2020 and 1 January 2021	—
Contribution pursuant to the Reorganisation	<u>112,798</u>
As at 31 December 2021, 1 January 2022 and 30 June 2022	<u><u>112,798</u></u>



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## ACCOUNTANT’S REPORT

### 25 CONTRACT COSTS AND CONTRACT LIABILITIES

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<b>Contract costs</b>				
Cost charged by the Platforms and Publishers	8,723	11,632	13,108	14,870
<b>Contract liabilities</b>				
Unamortised revenue	<u>(20,541)</u>	<u>(28,934)</u>	<u>(35,853)</u>	<u>(42,823)</u>
	<u>(11,818)</u>	<u>(17,302)</u>	<u>(22,745)</u>	<u>(27,953)</u>

#### (a) Significant changes in contract costs and liabilities

Contract costs are mainly related to unamortised commissions charged by the Platforms and unamortised revenue sharing to the Publishers.

Contract liabilities primarily consist of the unamortised revenue from sales of game tokens and virtual items for mobile games, where there is still an implied obligation to be provided by the Group over time.

Contract liabilities for the unamortised revenue increased due to the increase in sales of game tokens and virtual items for mobile games during the Track Record Period. The Group expects to deliver the services to satisfy the remaining performance obligation of these contract liabilities within one year or less.

#### (b) Revenue recognised in relation to contract liabilities

The following table shows the amount of revenue recognised in the consolidated statements of comprehensive income for the respective years relating to contract liabilities brought forward:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year				(Unaudited)	
Game publishing	<u>22,210</u>	<u>20,541</u>	<u>28,934</u>	<u>28,934</u>	<u>35,853</u>

#### (c) Assets recognised from contract acquisition costs

In adopting HKFRS 15, the Group recognises contract costs in relation to commissions charged by the Platforms and the revenue shared to the Publishers, which meet contract acquisition cost and fulfilment cost criteria, respectively, when the Group views the game players as its customer and that is incremental cost of acquiring a customer contract. They are capitalised as contract acquisition cost and fulfilment costs and amortised over the Player Relationship Period, which is consistent with the pattern of recognition of the associated revenue. The Group had no impairment losses recognised on any contract costs.

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**26 DEFERRED INCOME TAX**

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Deferred tax assets:				
— to be recovered after more than 12 months	5,551	4,146	2,106	2,264
— to be recovered within 12 months	1,672	2,763	5,199	6,510
	<u>7,223</u>	<u>6,909</u>	<u>7,305</u>	<u>8,774</u>
Deferred tax liabilities:				
— to be recovered after more than 12 months	422	289	557	1,536
— to be recovered within 12 months	934	1,449	3,093	2,664
	<u>1,356</u>	<u>1,738</u>	<u>3,650</u>	<u>4,200</u>

**(a) Deferred tax assets, net**

The analysis of deferred income tax assets, net are as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<b>The balance comprises temporary differences attributable to:</b>				
Contract liabilities	1,596	2,482	4,059	4,838
Lease liabilities	498	567	1,858	2,321
Over-claimed advertising expense	3,543	2,767	—	—
Others	1,586	1,093	1,388	1,615
	<u>7,223</u>	<u>6,909</u>	<u>7,305</u>	<u>8,774</u>
<b>Total deferred tax assets</b>	<u>7,223</u>	<u>6,909</u>	<u>7,305</u>	<u>8,774</u>
Set-off deferred tax liabilities	(1,356)	(1,738)	(3,650)	(4,200)
	<u>5,867</u>	<u>5,171</u>	<u>3,655</u>	<u>4,574</u>
<b>Deferred tax assets, net</b>	<u>5,867</u>	<u>5,171</u>	<u>3,655</u>	<u>4,574</u>

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The movements in the deferred income tax assets, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	<b>Contract liabilities</b> <i>RMB'000</i>	<b>Lease liabilities</b> <i>RMB'000</i>	<b>Over-claimed advertising expense</b> <i>RMB'000</i>	<b>Others</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>At 1 January 2019</b>	1,415	749	3,890	1,617	7,671
Recognised in profit or loss	<u>181</u>	<u>(251)</u>	<u>(347)</u>	<u>(31)</u>	<u>(448)</u>
<b>At 31 December 2019</b>	<u>1,596</u>	<u>498</u>	<u>3,543</u>	<u>1,586</u>	<u>7,223</u>
<b>At 1 January 2020</b>	1,596	498	3,543	1,586	7,223
Recognised in profit or loss	<u>886</u>	<u>69</u>	<u>(776)</u>	<u>(493)</u>	<u>(314)</u>
<b>At 31 December 2020</b>	<u>2,482</u>	<u>567</u>	<u>2,767</u>	<u>1,093</u>	<u>6,909</u>
<b>At 1 January 2021</b>	2,482	567	2,767	1,093	6,909
Recognised in profit or loss	<u>1,577</u>	<u>1,291</u>	<u>(2,767)</u>	<u>295</u>	<u>396</u>
<b>At 31 December 2021</b>	<u>4,059</u>	<u>1,858</u>	<u>—</u>	<u>1,388</u>	<u>7,305</u>
<b>At 1 January 2022</b>	4,059	1,858	—	1,388	7,305
Recognised in profit or loss	<u>779</u>	<u>463</u>	<u>—</u>	<u>227</u>	<u>1,469</u>
<b>At 30 June 2022</b>	<u>4,838</u>	<u>2,321</u>	<u>—</u>	<u>1,615</u>	<u>8,774</u>
(Unaudited)					
<b>At 1 January 2021</b>	2,482	567	2,767	1,093	6,909
Recognised in profit or loss	<u>1,335</u>	<u>(234)</u>	<u>(1,939)</u>	<u>3,297</u>	<u>2,459</u>
<b>At 30 June 2021</b>	<u>3,817</u>	<u>333</u>	<u>828</u>	<u>4,390</u>	<u>9,368</u>

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**(b) Deferred tax liabilities, net**

The analysis of deferred income tax liabilities, net are as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<b>The balance comprises temporary differences attributable to:</b>				
Contract costs	866	1,188	1,807	1,958
Right-of-use assets	490	550	1,843	2,242
<b>Total deferred tax liabilities</b>	1,356	1,738	3,650	4,200
Set-off deferred tax assets	(1,356)	(1,738)	(3,650)	(4,200)
<b>Deferred tax liabilities, net</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The movements in the deferred income tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Contract costs	Right-of-use	Total
	RMB'000	assets	RMB'000
		RMB'000	
<b>At 1 January 2019</b>	798	747	1,545
Recognised in profit or loss	68	(257)	(189)
<b>At 31 December 2019</b>	<u>866</u>	<u>490</u>	<u>1,356</u>
<b>At 1 January 2020</b>	866	490	1,356
Recognised in profit or loss	322	60	382
<b>At 31 December 2020</b>	<u>1,188</u>	<u>550</u>	<u>1,738</u>
<b>At 1 January 2021</b>	1,188	550	1,738
Recognised in profit or loss	619	1,293	1,912
<b>At 31 December 2021</b>	<u>1,807</u>	<u>1,843</u>	<u>3,650</u>
<b>At 1 January 2022</b>	1,807	1,843	3,650
Recognised in profit or loss	151	399	550
<b>At 30 June 2022</b>	<u>1,958</u>	<u>2,242</u>	<u>4,200</u>
(Unaudited)			
<b>At 1 January 2021</b>	1,188	550	1,738
Recognised in profit or loss	583	18	601
<b>At 30 June 2021</b>	<u>1,771</u>	<u>568</u>	<u>2,339</u>

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- (c) Deferred income tax assets are recognised for tax losses carry forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2019, 2020 and 2021 and 30 June 2022, the Group has unrecognised tax losses to be carried forward against future taxable income amounted to RMB10,191,000, RMB13,256,000, RMB14,969,000 and RMB30,266,000, respectively. Tax losses amounting to RMB10,191,000, RMB13,256,000, RMB14,969,000 and RMB30,266,000 will expire from 2022 to 2026. The potential deferred income tax assets in respect of these tax losses which have not been recognised are calculated based on the effective income tax rates according to prevailing tax laws and regulations in which the Group operates.
- (d) According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

During the Track Record Period, the Group did not require its PRC subsidiaries to distribute their retained earnings to foreign investors. As at 31 December 2019, 2020 and 2021 and 30 June 2022, deferred income tax liabilities have not been provided for in the consolidated financial statements in respect of the withholding tax that would be payable on unremitted earnings of the PRC subsidiaries of the Company amounting to approximately RMB8,516,000, RMB10,762,000, RMB5,945,000 and RMB8,883,000, respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

**27 TRADE PAYABLES**

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Non-current				
— Third parties	9,715	—	—	—
Current				
— Third parties	43,307	41,031	30,617	31,982
	<u>53,022</u>	<u>41,031</u>	<u>30,617</u>	<u>31,982</u>

Trade payables primarily consist of the license fee and royalty fee payable to the licensors for the rights to use the intellectual properties of certain football and basketball players in its developed games in specified geographic areas for certain period of time.

The aging analysis of trade payables based on recognition date is as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
0–90 days	37,427	22,114	17,155	22,740
91–365 days	9,985	4,787	2,172	1,078
1–2 years	5,610	9,114	4,546	1,389
Over 2 years	—	5,016	6,744	6,775
	<u>53,022</u>	<u>41,031</u>	<u>30,617</u>	<u>31,982</u>

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As at 31 December 2019, 2020 and 2021 and 30 June 2022, the fair value of trade payables approximated their carrying amount.

### 28 OTHER PAYABLES AND ACCRUALS

#### The Group

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Payroll and welfare payables	12,157	12,669	12,426	7,735
Other tax payables	8,611	11,197	11,065	13,772
Accrued expenses	5,184	3,235	15,645	13,321
Others	<u>806</u>	<u>917</u>	<u>802</u>	<u>829</u>
	26,758	28,018	39,938	35,657
Less: non-current portion				
Others	<u>(68)</u>	<u>(208)</u>	<u>(306)</u>	<u>(455)</u>
Current portion	<u>26,690</u>	<u>27,810</u>	<u>39,632</u>	<u>35,202</u>

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the fair values of these balances approximated to their carrying amounts.

#### The Company

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Accrued expenses	<u>1,110</u>	<u>2,222</u>	<u>4,350</u>	<u>5,218</u>

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the fair values of these balances approximated to their carrying amounts.

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**29 CASH FLOW INFORMATION**

**(a) Cash generated from operations**

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000	2022 RMB'000
Profit before income tax	50,532	44,792	41,726	5,171	23,877
Adjustment for:					
Interest expense ( <i>Note 10</i> )	195	612	737	379	497
Interest income ( <i>Note 10</i> )	(1,719)	(1,013)	(1,478)	(562)	(1,067)
Loss on disposal of property, plant and equipment ( <i>Note 6</i> )	—	7	748	26	—
Gain on lease termination ( <i>Note 29(c)</i> )	—	(43)	(30)	—	—
Fair value gains on financial assets measured at fair value through profit or loss ( <i>Note 6</i> )	(526)	(334)	(485)	(211)	(45)
Fair value loss on a financial liability measured at fair value through profit or loss ( <i>Note 6</i> )	—	—	1,479	—	4,379
Fair value gain on extension of a financial liability measured at fair value through profit or loss ( <i>Note 6</i> )	—	—	—	—	(3,065)
Depreciation of property, plant and equipment ( <i>Note 14</i> )	1,303	1,641	1,893	834	1,106
Depreciation of right-of-use assets ( <i>Note 15</i> )	2,465	2,733	4,056	1,211	3,123
Net impairment losses/(reversal of impairment loss) on financial assets	129	3,788	(160)	(2)	1,772
Amortisation of intangible assets ( <i>Note 16</i> )	18,504	19,253	19,416	9,730	9,012
Exchange difference	(1,903)	6,712	3,065	1,385	(282)
Operating profit before working capital changes	68,980	78,148	70,967	17,961	39,307
Changes in working capital:					
— Trade receivables, prepayments and other receivables	12,165	4,207	(16,808)	(13,426)	(28,625)
— Trade and other payables	14,943	(3,901)	10,398	1,068	(940)
— Contract costs	421	(2,909)	(1,476)	835	(1,762)
— Contract liabilities	(1,669)	8,393	6,919	(1,264)	6,970
	<u>94,840</u>	<u>83,938</u>	<u>70,000</u>	<u>5,174</u>	<u>14,950</u>

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**(b) Proceeds from disposal of property, plant and equipment**

In the consolidated statements of cash flow, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December			Six months ended	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount	—	7	748	26	—
Loss on disposal of property, plant and equipment	—	(7)	(748)	(26)	—
Proceeds from disposal of property, plant and equipment	—	—	—	—	—

**(c) Reconciliation of liabilities arising from financing activities**

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statements of cash flows as cash flows from financing activities.

	Lease liabilities	Dividend payables	Financial liability at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	4,991	8,000	—	12,991
Cash flows	(2,849)	(8,000)	—	(10,849)
Interest expense	195	—	—	195
At 31 December 2019	2,337	—	—	2,337
At 1 January 2020	2,337	—	—	2,337
Cash flows	(2,564)	(20,000)	—	(22,564)
Addition of leases	4,163	—	—	4,163
Lease termination ( <i>Note</i> )	(542)	—	—	(542)
Interest expense	172	—	—	172
Dividend declared and approved	—	20,000	—	20,000
At 31 December 2020	3,566	—	—	3,566



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	<b>Lease liabilities</b>	<b>Dividend payables</b>	<b>Financial liability at fair value through profit or loss</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 31 December 2020 and 1 January 2021	3,566	—	—	3,566
Cash flows	(4,588)	(80,000)	64,163	(20,425)
Addition of leases	14,105	—	—	14,105
Lease termination ( <i>Note</i> )	(1,132)	—	—	(1,132)
Interest expense	437	—	—	437
Dividend declared and approved	—	80,000	—	80,000
Fair value loss	—	—	1,479	1,479
At 31 December 2021	<u>12,388</u>	<u>—</u>	<u>65,642</u>	<u>78,030</u>
At 31 December 2021 and 1 January 2022	12,388	—	65,642	78,030
Cash flows	(3,095)	—	—	(3,095)
Addition of leases	5,080	—	—	5,080
Interest expense	349	—	—	349
Fair value loss	—	—	1,314	1,314
At 30 June 2022	<u>14,722</u>	<u>—</u>	<u>66,956</u>	<u>81,678</u>
(Unaudited)				
At 31 December 2020 and 1 January 2021	3,566	—	—	3,566
Cash flows	(1,319)	(80,000)	64,163	(17,156)
Interest expense	79	—	—	79
Dividend declared and approved	—	80,000	—	80,000
At 30 June 2021	<u>2,326</u>	<u>—</u>	<u>64,163</u>	<u>66,489</u>

*Note:*

During 31 December 2020, a gain of RMB43,000, being the difference between right-of-use assets of RMB499,000, and corresponding lease liabilities of RMB542,000, was recognised as a result of an early termination of a lease arrangement.

During 31 December 2021, a gain of RMB30,000, being the difference between right-of-use assets of RMB1,102,000 and corresponding lease liabilities of RMB1,132,000, was recognised as a result of an early termination of a lease arrangement.

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## ACCOUNTANT’S REPORT

### 30 LEASE COMMITMENTS

The Group leases offices under non-cancellable operating lease agreements. The lease terms are between 1 and 3 years. During the Track Record Period, the Group has consistently applied HKFRS 16 and recognised right-of-use assets for these leases, except for short-term leases.

The future aggregate minimum lease payments under non-cancellable short-term operating leases are as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB’000	RMB’000	RMB’000	2022
No later than 1 year	75	57	—	12

### 31 RELATED PARTY TRANSACTIONS

#### The Group

The following significant transactions were carried out between the Group and its related parties during the Track Record Period. The related party transactions were at terms mutually agreed between the Group and the respective related parties.

#### (a) Names and relationships with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group during the Track Record Period.

Related parties	Relationship
Mr. Jia Xiaodong	A shareholder and director of the Company
Mr. Huang Xiang	A shareholder and director of the Company
Mr. Li Xin	A shareholder and director of the Company
Mr. Guo Yuheng	A senior management personnel of the Company
Mr. Zhao Xin	A senior management personnel of the Company
Mr. Zeng Ke	A senior management personnel of the Company
Mr. Chu Kai Chi	A senior management personnel of the Company

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**(b) Loans to shareholders**

*(i) Mr. Jia Xiaodong*

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
Beginning of the year/ period	16	16	—	—	—
Loans repaid	—	(16)	—	—	—
End of the year/period	<u>16</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Maximum outstanding during the year/ period	<u>16</u>	<u>16</u>	<u>—</u>	<u>—</u>	<u>—</u>

*(ii) Mr. Huang Xiang*

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
Beginning of the year/ period	30	30	—	—	—
Loan advanced	1,000	—	—	—	—
Loans repaid	(1,000)	(30)	—	—	—
End of the year/period	<u>30</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Maximum outstanding during the year/ period	<u>1,030</u>	<u>30</u>	<u>—</u>	<u>—</u>	<u>—</u>

*(iii) Mr. Li Xin*

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
Beginning of the year/ period	123	74	48	48	—
Loans advanced	15	—	—	—	—
Loans repaid	(64)	(26)	(48)	(48)	—
End of the year/period	<u>74</u>	<u>48</u>	<u>—</u>	<u>—</u>	<u>—</u>
Maximum outstanding during the year/ period	<u>138</u>	<u>74</u>	<u>48</u>	<u>48</u>	<u>—</u>

*Note:*

The loans to shareholders are non-trade in nature.

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*(c) Loans to key management*

*(i) Mr. Zhao Xin*

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
Beginning of the year/ period	4	4	4	4	—
Loans repaid	—	—	(4)	(4)	—
End of the year/period	<u>4</u>	<u>4</u>	<u>—</u>	<u>—</u>	<u>—</u>
Maximum outstanding during the year/ period	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>—</u>

*(ii) Mr. Guo Yuheng*

	Year ended 31 December			Six months ended 30 June	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
Beginning of the year/ period	—	228	4,132	4,132	36
Loans advanced	300	4,000	—	—	—
Loans repaid	<u>(72)</u>	<u>(96)</u>	<u>(4,096)</u>	<u>(4,048)</u>	<u>(36)</u>
End of the year/period	<u>228</u>	<u>4,132</u>	<u>36</u>	<u>84</u>	<u>—</u>
Maximum outstanding during the year/ period	<u>300</u>	<u>4,164</u>	<u>4,132</u>	<u>4,132</u>	<u>36</u>

Except for loans of RMB300,000 and RMB4,000,000 granted to Mr. Guo during the year ended 31 December 2019 and 2020 which are repayable within 3 years and within 1 year, respectively, all the loans to key management and shareholders are unsecured, interest free and repayable on demand. All these balances in relation to the related party transactions are non-trade in nature and were fully settled as at 30 June 2022.

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### (d) Key management compensation

Key management includes executive directors and senior management. The compensation paid or payable to key management, including directors’ remuneration, is shown below:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Wages, salaries and bonuses	4,765	6,066	5,838	2,536	3,012
Other social security costs and housing benefits and other employee benefits	246	217	303	145	160
Total	<u>5,011</u>	<u>6,283</u>	<u>6,141</u>	<u>2,681</u>	<u>3,172</u>

### The Company

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the amounts due to subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand. As at 31 December 2021 and 30 June 2022, the amount due from a subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand.

## 32 CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB’000	RMB’000	RMB’000	2022
Intangible assets	—	3,306	10,830	4,100

## 33 CONTINGENCIES

The Group did not have any material contingent liabilities as at 31 December 2019, 2020 and 2021 and 30 June 2022.

## 34 SUBSEQUENT EVENTS

Subsequent to the Track Record Period, the Company made an adjustment to [REDACTED] of the [REDACTED] (the “Adjustment”). The cumulative impact of the [REDACTED] expenses recognised up to 30 June 2022 arising from the Adjustment will be recognised in the consolidated financial statements for the year ending 31 December 2022. As a result, the estimated impact on [REDACTED] expense to be recognised in the consolidated statements of comprehensive income and prepayments, deposits and other receivables in the consolidated statements of financial position would be a debit of HK\$2.8 million and a credit of the same amount, respectively, for the year ending 31 December 2022.

Pursuant to the written resolutions of shareholders of the Company (the “Resolution”) passed on 21 December 2022, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,962,000,000 shares. In addition, pursuant to the Resolution, conditional on the share premium account of the Company being credited as a result of the issue of offer shares by the Company pursuant to the global offering, the Directors were authorised to capitalise an amount of HK\$1,125,800 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 112,580,000 shares, such shares to be allotted and issued to the shareholders as of the date of the passing of the resolution on a pro rata basis.

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**II SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2022 and up to the date of this report. Save as disclosed in this report in Note 13, no dividends or distribution has been declared or made by the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to 30 June 2022.