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WANKA ONLINE INC.

萬咖壹聯有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1762)

**FINANCIAL RESULTS ANNOUNCEMENT FOR
THE YEAR ENDED 31 DECEMBER 2022**

HIGHLIGHTS OF ANNUAL RESULTS

	Year ended 31 December		Change
	2022	2021	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	2,300,875	2,098,198	9.7%
Gross Profit	234,475	263,316	-11.0%
(Loss)/profit for the Year Attributable to			
Owners of the Parent	(129,537)	62,297	-307.9%
Adjusted EBITDA ⁽¹⁾	87,132	121,838	-28.5%
Adjusted Net Profit ⁽²⁾	48,420	80,905	-40.2%
	As at 31 December		Change
	2022	2021	
	<i>RMB'000</i>	<i>RMB'000</i>	
Total Assets	1,911,100	1,845,363	3.6%
Total Liabilities	538,276	454,450	18.4%
Total Equity	1,372,824	1,390,913	-1.3%
Current Ratio ⁽³⁾	3.4	3.6	

Notes:

- (1) Adjusted EBITDA eliminates the effect of depreciation, amortisation, finance costs, income tax, impairment loss on goodwill and share-based payment expenses.
- (2) Adjusted net profit eliminates the effect of share-based payment expenses and impairment loss on goodwill.
- (3) Current ratio was calculated based on our total current assets divided by our total current liabilities at the end of each financial period.

* *For identification purposes only*

The board (the “**Board**”) of directors (the “**Directors**”) of Wanka Online Inc. (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is pleased to announce the consolidated results of the Group for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) as below.

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
REVENUE	4	2,300,875	2,098,198
Cost of sales	4	<u>(2,066,400)</u>	<u>(1,834,882)</u>
Gross profit		234,475	263,316
Other income and gains	5	42,718	17,138
Selling and distribution expenses		(19,372)	(15,001)
Research and development costs		(86,192)	(67,036)
Impairment loss on accounts receivable		(35,950)	(37,401)
Administrative expenses		(52,793)	(46,301)
Other expenses and losses		(160,114)	(1,107)
Share-based payment expenses		(22,192)	(18,160)
Finance costs	7	(7,696)	(7,549)
Share of losses in associates		<u>(4,337)</u>	<u>(3,826)</u>
(LOSS)/PROFIT BEFORE TAX	6	(111,453)	84,073
Income tax expenses	8	<u>(17,105)</u>	<u>(21,776)</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(128,558)</u>	<u>62,297</u>
(LOSS)/PROFIT FOR THE YEAR			
ATTRIBUTABLE TO:			
Owners of the parent		(129,537)	62,297
Non-controlling interest		<u>979</u>	<u>–</u>
		<u>(128,558)</u>	<u>62,297</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE			
TO ORDINARY EQUITY HOLDERS OF			
THE PARENT (expressed in RMB per share)			
Basic	10	<u>(RMB0.09)</u>	<u>RMB0.04</u>
Diluted		<u>(RMB0.09)</u>	<u>RMB0.04</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(LOSS)/PROFIT FOR THE YEAR	<u>(128,558)</u>	<u>62,297</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(12,967)</u>	<u>3,397</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(12,967)</u>	<u>3,397</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	<u>22,844</u>	<u>(6,374)</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>22,844</u>	<u>(6,374)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>9,877</u>	<u>(2,977)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	<u>(118,681)</u>	<u>59,320</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:		
Owners of the parent	<u>(119,660)</u>	<u>59,320</u>
Non-controlling interest	<u>979</u>	<u>—</u>
	<u>(118,681)</u>	<u>59,320</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,065	1,592
Right-of-use assets		10,188	26,965
Goodwill		34,800	183,164
Other intangible assets		7,006	7,480
Investments in associates		1,115	2,022
Deferred tax assets		12,135	8,587
Prepayments		58,165	42,675
		<hr/>	<hr/>
Total non-current assets		125,474	272,485
CURRENT ASSETS			
Accounts receivable	<i>11</i>	601,259	581,348
Prepayments, deposits and other receivables		571,816	546,647
Cash and cash equivalents	<i>12</i>	538,224	401,102
Time deposits with original maturity over three months	<i>12</i>	12,637	–
Restricted bank deposits	<i>12</i>	61,690	43,781
		<hr/>	<hr/>
Total current assets		1,785,626	1,572,878
CURRENT LIABILITIES			
Accounts payable	<i>13</i>	52,959	74,330
Other payables and accruals		74,303	52,715
Contract liabilities		27,833	29,844
Interest-bearing bank borrowings	<i>14</i>	260,000	171,647
Lease liabilities		6,499	6,990
Income tax payable		109,427	99,102
		<hr/>	<hr/>
Total current liabilities		531,021	434,628
		<hr/>	<hr/>
NET CURRENT ASSETS		1,254,605	1,138,250
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,380,079	1,410,735
NON-CURRENT LIABILITIES			
Lease liabilities		5,820	19,327
Deferred tax liabilities		1,435	495
		<hr/>	<hr/>
Total non-current liabilities		7,255	19,822
		<hr/>	<hr/>
Net assets		1,372,824	1,390,913
		<hr/> <hr/>	<hr/> <hr/>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	1	1
Treasury shares	—*	—*
Other reserves	<u>1,293,444</u>	<u>1,390,912</u>
	1,293,445	1,390,913
Non-controlling interest	<u>79,379</u>	<u>—</u>
Total equity	<u>1,372,824</u>	<u>1,390,913</u>

* The amount is less than RMB1,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the parent								
	Issued capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital reserve RMB'000	Employee share-based compensation reserve RMB'000	Statutory reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2021	1	-	1,642,834	9,532	54,641	22,877	(38,803)	(534,284)	1,156,798
Profit for the year	-	-	-	-	-	-	-	62,297	62,297
Other comprehensive loss for the year:									
Exchange differences	-	-	-	-	-	-	(2,977)	-	(2,977)
Total comprehensive income for the year	-	-	-	-	-	-	(2,977)	62,297	59,320
Issue of shares [^]	-	-	156,635	-	-	-	-	-	156,635
Issue of shares for restricted share units ^{^^}	-	-	-	-	-	-	-	-	-
Appropriation to statutory reserve funds	-	-	-	-	-	3,124	-	(3,124)	-
Vested restricted share units transferred to employee	-	-	10,482	-	(10,482)	-	-	-	-
Equity-settled share option arrangements	-	-	-	-	18,160	-	-	-	18,160
At 31 December 2021	1	-	1,809,951*	9,532*	62,319*	26,001*	(41,780)*	(475,111)*	1,390,913

* The amount is less than RMB1,000.

[^] On 1 March 2021, the Company completed the placing of 135,000,000 new ordinary shares in the share capital of the Company with a par value of US\$0.0000002 (equivalent to approximately RMB0.0000013) (the “**Share(s)**”) at the placing price of HK\$1.45 per Share (the “**Placing**”). For further details of the Placing, please refer to the related announcements of the Company dated 21 February 2021 and 1 March 2021.

^{^^} On 18 May 2021, 30,645,000 new shares of US\$0.0000002 (equivalent to approximately RMB0.0000014) each were issued and allotted at par value pursuant to the general mandate for the restricted share units scheme adopted by the Company on 29 August 2019. For details of the transaction, please refer to the announcements of the Company dated 11 May 2021 and 18 May 2021.

FOR THE YEAR ENDED 31 DECEMBER 2022

Attributable to owners of the parent

	Issued capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital reserve RMB'000	Employee share-based compensation reserve RMB'000	Statutory reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total RMB'000
At 1 January 2022	1	-#	1,809,951*	9,532*	62,319*	26,001*	(41,780)*	(475,111)*	1,390,913	-	1,390,913
Loss for the year	-	-	-	-	-	-	-	(129,537)	(129,537)	979	(128,558)
Other comprehensive income for the year:											
Exchange differences	-	-	-	-	-	-	9,877	-	9,877	-	9,877
Total comprehensive loss for the year	-	-	-	-	-	-	9,877	(129,537)	(119,660)	979	(118,681)
Issue of shares for restricted share units ^{AAA}	-#	-#	-	-	-	-	-	-	-	-	-
Capital injection from the non-controlling interest	-	-	-	-	-	-	-	-	-	78,400	78,400
Vested restricted share units transferred to employee	-#	-	18,158	-	(18,158)	-	-	-	-	-	-
Equity-settled share option arrangements	-	-	-	-	22,192	-	-	-	22,192	-	22,192
At 31 December 2022	1	-#	1,828,109*	9,532*	66,353*	26,001*	(31,903)*	(604,648)*	1,293,445	79,379	1,372,824

The amount is less than RMB1,000.

* These reserve accounts comprise the consolidated other reserves of RMB1,293,444,000 (2021: RMB1,390,912,000) in the consolidated statement of financial position.

^{AAA} On 10 May 2022, 40,080,000 new shares of US\$0.0000002 (equivalent to approximately RMB0.0000013) each were issued and allotted at par value pursuant to the general mandate for the restricted share units scheme adopted by the Company on 29 August 2019. For details of the transaction, please refer to the announcements of the Company dated 28 April 2022 and 10 May 2022.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(111,453)	84,073
Adjustments for:			
Foreign exchange gains, net	6	(2)	(706)
Finance costs	7	7,696	7,549
Bank interest income	5	(1,045)	(951)
Loss on disposal of property, plant and equipment	6	–	4
Impairment loss on accounts receivable	6	35,950	37,401
Depreciation of property, plant and equipment		356	468
Depreciation of right-of-use assets		6,326	4,924
Amortisation of intangible assets		7,229	6,216
Gain on derecognition of lease		(22)	(8)
Share of losses in associates		4,337	3,826
Impairment loss on goodwill		154,786	448
Gain on disposal of an investment in an associate		–	(2)
Derecognition of accounts payable		(20,965)	–
Share-based payment expenses		22,192	18,160
		105,385	161,402
Increase in accounts receivable		(36,458)	(47,583)
Increase in prepayments, deposits and other receivables		(21,565)	(28,414)
Increase in long-term prepayments		(15,490)	(11,445)
(Decrease)/increase in accounts payable		(31,073)	29,623
Decrease in contract liabilities		(2,011)	(15,400)
Increase in other payables and accruals		21,198	11,751
Cash generated from operations		19,986	99,934
Interest received		410	951
Income tax paid		(11,065)	(11,032)
Net cash flows from operating activities		9,331	89,853

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary, net of cash acquired	(2,584)	–
Proceeds from disposal of an investment in associate	–	380
Proceeds from disposal of property, plant and equipment	7	9
Purchase of items of property, plant and equipment	(750)	(1,072)
Increase in time deposits with original maturity over three months	(12,637)	–
Capital injection in an associate	(3,430)	(2,450)
	<u>(19,394)</u>	<u>(3,133)</u>
Net cash flows used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bank loans	350,353	249,647
Repayment of bank loans	(262,000)	(272,996)
Issuance of ordinary shares	–	156,635
Principal portion of lease payments	(3,559)	(5,700)
Capital injection from the non-controlling interest	78,400	–
Interest paid	(8,014)	(7,503)
(Increase)/decrease of restricted bank deposits	(17,909)	588
	<u>137,271</u>	<u>120,671</u>
Net cash flows from financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	127,208	207,391
Cash and cash equivalents at beginning of year	401,102	195,983
Net foreign exchange difference	9,914	(2,272)
	<u>538,224</u>	<u>401,102</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>538,224</u>	<u>401,102</u>
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows	<u>538,224</u>	<u>401,102</u>

NOTES

FOR THE YEAR ENDED 31 DECEMBER 2022

1. CORPORATE AND GROUP INFORMATION

Wanka Online Inc. (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 7 November 2014. Its registered office address is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company, together with its subsidiaries, is collectively referred to as the Group.

Prior to November 2014, the offshore structure was held by the Company’s predecessor, Wanka Inc., a company incorporated in the Cayman Islands on 20 May 2014. On 7 November 2014, the Company entered into a letter agreement with Wanka Inc., pursuant to which all the shares of Wanka Holdings Limited, a company set up in Hong Kong by Wanka Inc., would be transferred from Wanka Inc. to the Company for a consideration of HK\$1.0. The transfer was completed on 28 November 2014 and since then, the Company has been the holding company of the Group.

During the year, the Company and its subsidiaries, including controlled structured entities, were mainly involved in the mobile advertising services, online-video distribution services, game co-publishing services and software maintenance services.

2.1 BASIS OF PREPARATION

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

2.2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of new or amended HKFRSs

The HKICPA has issued new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following development is relevant to the Group's consolidated financial statements:

Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	<i>Annual Improvements to HKFRS 2018-2020</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Amendment to HKFRS 3	<i>Reference to Conceptual Framework</i>

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use

The amendment to HKAS 16 prohibits an entity from deducting from the cost of an item of Property, Plant and Equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a manufacturing facility after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognised in profit or loss.

These amendments had no impact on the year-end consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

(b) **New or amended HKFRSs that have been issued but are not yet effective**

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HK Interpretation 5 (2022)	<i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i> (Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants) ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKAS 1	Amendment – Non-current Liabilities with Covenants ²
Amendment to HKFRS 16	Leases (Liability in a Sale and Leaseback) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after a date to be determined

Further information about those HKFRSs that are expected to be relevant to the Group is as follows:

Amendments to HKRS 16 Lease Liability in a Sale and Leaseback

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements of HKFRS 15 to be accounted for as a sale. The amendments require a seller-lessee to determine “lease payments” or “revised lease payments” such that the seller-lessee would not recognise a gain or loss that relates to the right of use retained by the seller-lessee. The amendments also clarify that applying the requirements does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to subsequent partial or full termination of a lease.

Amendments to HKFRS 10 and HKAS 28

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1, HK Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Amendments to HKAS 1 and HKFRS Practice Statement 2

Amendments to HKAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary.

Amendments to HKAS 8

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

4. SEGMENT INFORMATION

The segment revenue for the years ended 31 December 2022 and 2021 is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Type of goods or services:		
Mobile advertising services income	2,196,736	2,005,125
Online-video distribution services income	84,525	85,102
Game co-publishing services income	5,512	7,971
Software maintenance services income	14,102	–
	<hr/>	<hr/>
Total revenue form contracts with customers	2,300,875	2,098,198
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition:		
Services transferred at a point in time	84,957	85,102
Services transferred over time	2,215,918	2,013,096
	<hr/>	<hr/>
Total revenue from contracts with customers	2,300,875	2,098,198
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The segment results for the years ended 31 December 2022 and 2021 are as follows:

For the year ended 31 December 2022

	Mobile advertising services <i>RMB'000</i>	Online-video distribution services <i>RMB'000</i>	Game co-publishing services <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	2,196,736	84,525	5,512	14,102	2,300,875
Segment cost of sales	(1,989,716)	(64,425)	–	(12,259)	(2,066,400)
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Segment results	207,020	20,100	5,512	1,843	234,475
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For the year ended 31 December 2021

	Mobile advertising services <i>RMB'000</i>	Online-video distribution services <i>RMB'000</i>	Game co-publishing services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	2,005,125	85,102	7,971	2,098,198
Segment cost of sales	(1,771,566)	(63,316)	–	(1,834,882)
	<hr/>	<hr/>	<hr/>	<hr/>
Segment results	233,559	21,786	7,971	263,316
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Group had no major customers which contributed more than 10% of the total revenue for the years ended 31 December 2022 and 2021.

The Group mainly operates in Mainland China and earns substantially all of the revenue from external customers located in the Mainland China.

As at 31 December 2022 and 2021, substantially all of the non-current assets of the Group were located in Mainland China.

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other income from contract with customers, within the scope of HKFRS 15:		
Conference service income, net (<i>note (a)</i>)	<u>4,935</u>	<u>3,147</u>
Bank interest income	1,045	951
Government grants (<i>note (b)</i>)	334	159
Foreign exchange gains, net	2	706
Additional deduction of input value-added tax (<i>note (b)</i>)	14,118	11,402
Derecognition of accounts payable (<i>note (c)</i>)	20,965	–
Others	<u>1,319</u>	<u>773</u>
	<u>37,783</u>	<u>13,991</u>
	<u><u>42,718</u></u>	<u><u>17,138</u></u>

Notes:

- (a) All the conference service income of the Group is recognised at point in time as those services are provided under HKFRS 15.
- (b) The Group recognises the government grants when it fulfils all the conditions specified in the relevant law and regulations. There are no unfulfilled conditions or contingencies relating to these grants. During the year ended 31 December 2022, the government grants include subsidies from the local government in relation to the employment support scheme of approximately RMB334,000 (2021: RMB159,000) and the additional deduction of input value-added tax of RMB14,118,000 (2021: RMB11,402,000).
- (c) The Group derecognised an amount of approximately RMB20,965,000 of accounts payable which the Group has no obligation to pay in accordance with the court order.

6. (LOSS)/PROFIT BEFORE TAX

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

	<i>Note</i>	2022 RMB'000	2021 RMB'000
Cost of services		2,066,400	1,834,882
Depreciation and amortisation		13,911	11,608
Auditor's remuneration		2,100	2,100
Lease payments not included in the measurement of lease liabilities		312	292
Employee benefit expenses (excluding directors' and chief executive's remuneration)^:			
Wages and salaries		60,535	45,485
Pension scheme contributions^^		5,869	4,325
Share-based payment expenses		22,192	18,160
		88,596	67,970
Impairment loss on goodwill		154,786	448
Impairment loss on accounts receivable	<i>11</i>	35,950	37,401
Foreign exchange gains, net*		(2)	(706)
Loss on disposal of property, plant and equipment		–	4
Gain on derecognition of lease		(22)	(8)
Bank interest income		(1,045)	(951)

* Foreign exchange gains, net are included in "Other income and gains" in the consolidated statement of profit or loss.

^ Employee benefit expenses excluding share-based payment expenses are included in "Cost of sales", "Selling and distribution expenses", "Research and development costs" and "Administrative expenses" in the consolidated statement of profit or loss.

^^ At 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes of future years (2021: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank borrowings	6,869	7,008
Interest on lease liabilities	827	541
	7,696	7,549

8. INCOME TAX EXPENSES

The Company is incorporated under the law of the Cayman Islands and is not subject to the Cayman Islands income tax.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2022 and 2021. The income tax expenses of the Group for the years ended 31 December 2022 and 2021 represented current tax expenses related to the Group's operations in Mainland China and deferred tax.

The income tax provision of the Group in respect of its operations in Mainland China was calculated at the tax rate of 25% on the estimated assessable profits for the periods, if applicable, based on the existing legislation, interpretations and practice in respect thereof, except for four (2021: four) PRC subsidiaries, which are entitled to a preferential tax rate of 15% for three years as they are qualified as a "new high technology enterprise".

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current – Mainland China		
Charge for the year	21,392	27,419
Deferred tax credit	(4,287)	(5,643)
Total tax charge for the year	17,105	21,776

9. DIVIDEND

No dividend have been paid or declared by the Company during the year ended 31 December 2022 (2021: Nil).

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,433,714,596 (2021: 1,391,102,394) in issue excluding the treasury shares during the year.

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2022	2021
(Loss)/profit for the year attributable to owners of the parent used in the basic and diluted earnings per share calculation (RMB'000)	(129,537)	62,297
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	1,433,714,596	1,391,102,394
Effect of dilution – weighted average number of ordinary shares:		
Restricted share units	79,181,192	59,327,780
	<u>1,512,895,788</u>	<u>1,450,430,174</u>

11. ACCOUNTS RECEIVABLE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Accounts receivable	650,982	619,667
Loss allowance	(49,723)	(38,319)
Total	<u>601,259</u>	<u>581,348</u>

The Group's trading terms with its customers are partially on credit, except for new customers, where payment in advance is normally required. For mobile advertising services, online video distribution services and game co-publishing services, the credit period generally ranges from three months for major customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances is reviewed regularly by the management. The Group does not hold any collateral or other credit enhancements over these balances. Accounts receivable are non-interest-bearing.

An ageing analysis of the accounts receivable as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	344,049	377,579
3 to 12 months	245,806	175,717
1 to 2 years	11,404	28,052
	<u>601,259</u>	<u>581,348</u>

The movements in the loss allowance for impairment of accounts receivable are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At beginning of year	38,319	20,036
Receivable written off during the year as uncollectible	(24,546)	(19,118)
Impairment losses (<i>note 6</i>)	35,950	37,401
At end of year	<u>49,723</u>	<u>38,319</u>

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cash and bank balances	612,551	444,883
Less: Restricted bank deposits:		
Pledged time deposits for bank loans (<i>note 14</i>)	(61,690)	(42,096)
Bank deposits frozen for litigation	–	(1,685)
Time deposits with original maturity over three months	(12,637)	–
	<u>(74,327)</u>	<u>(43,781)</u>
Cash and cash equivalents	<u>538,224</u>	<u>401,102</u>
Denominated in:		
– RMB	501,437	347,897
– USD	28,079	27,331
– HKD	8,708	25,874
	<u>538,224</u>	<u>401,102</u>

RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

13. ACCOUNTS PAYABLE

An aged analysis of the Group's accounts payable at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	42,501	45,579
1 to 2 years	2,599	2,348
More than 2 years	7,859	26,403
	<u>52,959</u>	<u>74,330</u>

The accounts payable are non-interest-bearing and are normally settled on terms of 60 to 90 days.

14. INTEREST-BEARING BANK BORROWINGS

Details of the Group's interest-bearing bank borrowings as at 31 December 2022 and 2021 are as follows:

	As at 31 December 2022		
	Effective contractual interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured	1.500-3.000	2023	71,000
– unsecured	3.650-4.350	2023	189,000
			<u>260,000</u>
			<u><u>260,000</u></u>
	As at 31 December 2021		
	Effective contractual interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured	3.050-4.350	2022	30,000
– unsecured	3.850-5.000	2022	141,647
			<u>171,647</u>
			<u><u>171,647</u></u>
		2022	2021
		RMB'000	RMB'000
Analysed into:			
Bank loans repayable:			
Within one year or on demand		<u>260,000</u>	<u>171,647</u>

Notes:

- (a) As at 31 December 2022, the Group's bank loans of
- RMB71,000,000 was secured by pledged deposits of RMB61,690,000 provided by three subsidiaries of the Company, namely, Wanka Holdings Limited (“**Wanka Holdings**”), Wanka Huanju Culture Media (Beijing) Co., Ltd. (“**Wanka Huanju**”) and Beijing ChiLe Information Technology Co., Ltd.;
 - RMB80,000,000 was guaranteed by Mr. GAO Dinan (“**Mr. Gao**”) (Mr. Gao is an executive director of the Company) and a subsidiary of the Company, Wanka Huanju;
 - RMB5,000,000 was guaranteed by Mr. Gao;
 - RMB40,000,000 was guaranteed by Mr. Gao and the Company;
 - RMB15,000,000 was guaranteed by Mr. Gao and a subsidiary of the Company, Huanju Times Culture Media (Beijing) Co., Ltd. (“**Huanju Times**”); and
 - RMB60,000,000 was guaranteed by Mr. Gao and the Company, in relation to which the Group has failed to fulfill certain financial covenants as stated in the relevant loan agreement during the year ended 31 December 2022 and, up to the date of this announcement, the Group has actively negotiated with the relevant bank to obtain waiver for strict compliance on the relevant financial covenant requirements.

- (b) As at 31 December 2021, the Group's bank loans of
- (i) RMB30,000,000 was secured by pledged deposits of RMB30,000,000 and US\$1,897,000 (equivalent to approximately RMB12,096,000) provided by a subsidiary of the Company, Wanka Holdings;
 - (ii) RMB5,000,000 was guaranteed by Mr. Gao, a subsidiary of the Company, Huanju Times and an independent third party, Beijing Zhongguancun Sci-tech Financing Guaranty Co., Ltd., which was counter guaranteed by Mr. Gao and a subsidiary of the Company, Huanju Times;
 - (iii) RMB39,000,000 was guaranteed by Mr. Gao and a subsidiary of the Company, Wanka Huanju;
 - (iv) RMB90,000,000 was guaranteed by Mr. Gao and the Company; and
 - (v) RMB5,000,000 was guaranteed by Mr. Gao, and a subsidiary of the Company, Huanju Times.

15. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities (2021: Nil).

16. CAPITAL COMMITMENTS

At the end of the reporting period, the Group did not have any significant capital commitments (2021: Nil).

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on minimising potential adverse effects of these risks, with material impact, on the Group's financial performance. The board of directors reviews and agrees policies for managing each of these risks.

BUSINESS REVIEW

In 2022, we fully upgraded our mobile advertisement placement business to expand our advantages in the mobile distribution sector. On the one hand, it met the multi-dimensional placement needs of our customers, including creative materials. On the other hand, we upgraded and strengthened the platform's modular and automated functions to enable us to develop more complex and precise placement decisions for our customers, fully tapping into the potential of the different types of data we have accumulated. In 2022, our revenue from mobile advertising business reached RMB2,196.7 million, representing an increase of 9.6% compared to the previous year.

Despite the economic downturn, we placed a greater emphasis on constructing and maintaining the industry ecosystem, empowering participants in the mobile internet ecosystem. We firmly believe that maintaining a healthy development of the industry will bring about a win-win situation. In 2022, through our cooperation with members of the MHA, ecosystem branch of Quick App and Intelligent Terminal Golden Seal Alliance (the "ITGSA"), we organized various online and offline activities to relay policy guidance to our business partners and support government decisions. We assisted the members of each alliance and the developers from various industry in promoting the processes of structural migration and technical standards in the mobile computing ecosystem, the satisfactory completion of which led to a smooth transition. We also provided effective solutions for industry participants seeking more precise promotional effects in the digital marketing era, creating a one-stop full-chain media ecosystem.

Due to our insistence on standardization of Quick App with members of the ecosystem branch of Quick App, the Quick App technology quickly adapted to all forms of smart devices in the market. Standardized development tools could also greatly enhance the R&D efficiency of developers. In 2022, the number of Quick App developers from different industries exceeded 30,000, and such developers had set up a number of specialized groups to jointly research, develop and explore the diversified development of Quick App on smart devices. At present, many smart vehicles from automotive companies, including Leapmotor, FAW Pentium and Dongfeng, have already adopted Quick App technology, providing more personalized and customized functions to enhance the driving experience.

BUSINESS OUTLOOK

With the steady recovery of the domestic economy since the end of 2022, we will continue to consolidate our strengths in the areas where we have keen insight, while adhering to the principles of “stability” and “seeking progress while maintaining stability”, to ensure the stable development of our principal business. In 2023, we will continue to focus on the mobile internet ecosystem and position ourselves as a leading provider of ecosystem services and internet marketing services, with the goal of further increasing our market share. Additionally, we will pay close attention to the development of new business and new technologies, particularly in the field of artificial intelligence and automation to improve the efficiency of advertisement placement and fully unleash the benefits of economies of scale. In light of the gradual resumption of various activities, we will continue to cooperate with members of the MHA, ecosystem branch of Quick App to organize various technology development conferences and industry summits. By exerting the influence of the alliances in the industry, we can provide effective support to participants from various industries and make more contributions to the development promotion of the ecosystem. We will continue to explore application scenarios that are compatible with Quick App, and Quick App will help more companies including smart devices and smart vehicle companies expand their commercial operation strategies. We will also continue to focus on and develop emerging fields in the mobile internet ecosystem such as metaverse in an attempt to provide more diversified services.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues

Our revenues from mobile advertising increased by 9.6% from RMB2,005.1 million in 2021 to RMB2,196.7 million in 2022, due to the increase in the number of mobile games we advertised during 2022.

In addition, we generated revenues from our online-video distribution services and game co-publishing services of RMB84.5 million (2021: RMB85.1 million) and RMB5.5 million (2021: RMB8.0 million) in 2022, respectively.

The following table sets forth the comparative figures for the periods indicated.

	Year ended 31 December			
	2022		2021	
	<i>RMB'000</i>	<i>% of total revenues</i>	<i>RMB'000</i>	<i>% of total revenues</i>
Revenues				
Mobile advertising	2,196,736	95.5%	2,005,125	95.6%
Online-video distribution	84,525	3.7%	85,102	4.1%
Game co-publishing	5,512	0.2%	7,971	0.3%
Others*	14,102	0.6%	—	—
Total	2,300,875	100%	2,098,198	100%

* Includes revenue from software maintenance services

Mobile Advertising Services

We generated revenues by distributing advertisements of marketers' mobile apps and mobile games in the distribution channels of our Mobile Hardcore Alliance (the "MHA") members which consist of seven Android smartphone manufacturers in China, non-MHA smartphone manufacturers and non-smartphone manufacturer distribution channel suppliers. We also offered a variety of advertising formats across our distribution channels, including app store search ads, in-feed ads, banner ads, interstitial ads and splash screen ads, to suit our customers' specific needs. The following table sets forth a breakdown of our advertising revenues by source for the periods indicated:

	Year ended 31 December			
	2022	% of total	2021	% of total
	<i>RMB'000</i>	<i>revenues</i>	<i>RMB'000</i>	<i>revenues</i>
Mobile game distribution	2,169,988	98.8%	1,938,115	96.7%
Mobile app distribution	26,748	1.2%	67,010	3.3%
Total	<u>2,196,736</u>	<u>100%</u>	<u>2,005,125</u>	<u>100%</u>

Our mobile advertising revenue generated from distribution of mobile games increased from RMB1,938.1 million in 2021 to RMB2,170.0 million in 2022, representing an increase of RMB231.9 million, or 12.0% from 2021. The revenues increased primarily because we expanded the number of mobile games we marketed and obtained new mobile game distribution channels from smartphone manufacturers, especially from the MHA members. Our mobile advertising revenue from mobile app distribution decreased from RMB67.0 million in 2021 to RMB26.7 million in 2022, representing a decrease of RMB40.3 million, or 60.2% from 2021, primarily due to the decrease in the number of mobile apps we marketed during 2022.

Online-video Distribution Services

Leveraging our success and experience in providing advertising services, we have expanded into additional business verticals and begun establishing our online-video distribution network to unleash new monetisation opportunities since 2018.

With our stable relationships with suppliers of content distribution channels and smartphone manufacturers, especially the MHA members, we integrated the operational know-hows and experience in the field of online-video distribution, and expanded our service offerings to a broader range of marketers.

We generated a revenue of RMB84.5 million for this business line in 2022, representing a decrease of RMB0.6 million, or 0.7% from 2021. The videos we distributed are mainly in the areas of finance, entertainment and movies.

Game Co-publishing Services

We offer one-stop game co-publishing services to game developers, which include game optimisation, marketing, promotion, distribution, monetisation and other user-related services. Leveraging our extensive experience in game co-publishing, amassed data volume and technical know-how, we actively identified and sourced new game content as well as optimised existing game content based on our in-depth understanding of user profiles, preferences, tastes, and playing habits. Moreover, based on our close relationship with various smartphone-based distribution channels, we allocated game marketing and promotion resources more efficiently and effectively, with insights into the effect of timing of offer and type of virtual items based on user behavior and in-game spending.

Our revenues from game co-publishing services decreased by 31.3% from RMB8.0 million in 2021 to RMB5.5 million in 2022. As at 31 December 2022, we had co-published 20 mobile games in China.

Cost of Sales

Our cost of sales primarily consisted of distribution fees incurred for advertisement placements onto the distribution channels, labor costs and amortisation expenses.

Cost of sales increased by 12.6% from RMB1,834.9 million in 2021 to RMB2,066.4 million in 2022. This increase was primarily driven by the increase in distribution fees to our distribution channels, which was in line with the increase in our revenues during 2022.

Gross Profit and Margins

As a result of the foregoing, our gross profit decreased by 10.9% from RMB263.3 million in 2021 to RMB234.5 million in 2022. The decrease in gross profit was primarily due to the increase in the cost of traffic acquisition of our mobile advertising business during 2022.

The decrease in gross profit margin from 12.5% in 2021 to 10.2% in 2022 was primarily due to the increase in cost of traffic acquisition as a result of a more expensive traffic price in our industry.

Other Income and Gains

Other income and gains increased from RMB17.1 million in 2021 to RMB42.7 million in 2022, primarily due to the derecognition of accounts payable and the increase in government grants received.

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of sales employee salaries and related benefit expenses, traveling costs, conference costs and marketing expenses. Our selling and distribution expenses increased by 29.3% from RMB15.0 million in 2021 to RMB19.4 million in 2022, which was mainly attributable to the increase in marketing and advertising expenses.

Research and Development Costs

Research and development cost primarily consisted of fees paid to third party consulting service providers and employee salaries and related benefit expenses. Our research and development expenses increased by 28.7% from RMB67.0 million in 2021 to RMB86.2 million in 2022, primarily due to the increase in the number of our research and development staff and the research expenses of our systems.

Impairment Loss on Accounts Receivable

We had impairment loss on accounts receivable of approximately RMB36.0 million in 2022, primarily as a result of the general and specific provision for credit loss from our accounts receivable.

Administrative Expenses

Our administrative expenses increased by 14.0% from RMB46.3 million in 2021 to RMB52.8 million in 2022, which was mainly attributable to the increase in professional service expenses and staff costs and related expenses.

Other Expenses and Losses

Other expenses and losses increased from RMB1.1 million in 2021 to RMB160.1 million in 2022, primarily due to the increase in impairment loss provided on goodwill.

The goodwill was related to our acquisition of Shanghai Chile Information Technology Co., Ltd. (“**Shanghai ChiLe**”) in 2018. Having considered that the unforeseen business environment of our online-video distribution services segment in the near future, we made impairment provision of goodwill directly related to Shanghai ChiLe of approximately RMB154.8 million.

Share-based Payment Expenses

Our share-based payment expense increased from RMB18.2 million in 2021 to RMB22.2 million in 2022, because the share-based payment expenses in connection with the restricted share units (“**RSU(s)**”) we granted to certain grantees were recognised over the vesting period at a higher weighted-average grant date fair value as compared to 2021.

Finance Costs

Our finance costs slightly increased from RMB7.5 million in 2021 to RMB7.7 million in 2022, primarily due to the increase of our bank borrowings.

Share of Losses in Associates

We recorded share of losses in associates of approximately RMB4.3 million in 2022, which mainly represented our share of loss from an equity investment in Wanxin Chelian Technology (Shenzhen) Co., Ltd., an associated company of our Company.

Income Tax Expense

Our income tax expense decreased from RMB21.8 million in 2021 to RMB17.1 million in 2022. The decrease was primarily attributable to the decrease in taxable profit of our subsidiaries in China.

(Loss)/profit for the Year

As a result of the reasons discussed above, loss for the year was RMB128.6 million in 2022, compared to profit of RMB62.3 million in 2021.

Non-HKFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with the HKFRSs, we also use adjusted EBITDA and adjusted net profit as additional financial measures, which are unaudited and not required by, or presented in accordance with, HKFRSs. We present these financial measures because they are used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of our business performance. We also believe that these non-HKFRS measures provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management compare our financial results across accounting periods and with those of our peer companies.

We define adjusted EBITDA as profit/loss for the year without considering depreciation, amortisation, finance cost, income tax, impairment loss on goodwill and share-based payment expenses (“**Adjusted EBITDA**”). We define adjusted net profit as profit/loss for the year without considering share-based payment expenses and impairment loss on goodwill (“**Adjusted Net Profit**”). The terms Adjusted EBITDA and Adjusted Net Profit are not defined under the HKFRSs. The use of Adjusted EBITDA and Adjusted Net Profit has material limitations as an analytical tool, as they do not include all items that impact our profit or loss for the relevant years. The effect of items eliminated from Adjusted EBITDA and Adjusted Net Profit is a significant component in understanding and assessing our operating and financial performance.

In light of the foregoing limitations for Adjusted EBITDA and Adjusted Net Profit, when assessing our operating and financial performance, you should not view Adjusted EBITDA and Adjusted Net Profit in isolation or as a substitute for our profit for the year or any other operating performance measure that is calculated in accordance with HKFRSs. In addition, because these non-HKFRS measures may not be calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

The following tables reconcile our Adjusted EBITDA and Adjusted Net Profit for the periods presented to the most directly comparable financial measures calculated and presented in accordance with HKFRSs. Adjusted EBITDA and Adjusted Net Profit are not required by, or presented in accordance with, HKFRSs.

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the year	(128,558)	62,297
Add:		
Depreciation	6,682	5,392
Amortisation of intangible assets	7,229	6,216
Finance cost	7,696	7,549
Income tax expense	17,105	21,776
Share-based payment expenses	22,192	18,160
Impairment loss on goodwill	154,786	448
Adjusted EBITDA (unaudited)	87,132	121,838
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the year	(128,558)	62,297
Add:		
Share-based payment expenses	22,192	18,160
Impairment loss on goodwill	154,786	448
Adjusted Net Profit (unaudited)	48,420	80,905

Selected Financial Information from Our Consolidated Statement of Financial Position

	As at 31 December		Change
	2022	2021	
	<i>RMB'000</i>	<i>RMB'000</i>	
Cash and bank balances	612,551	444,883	37.7%
Bank borrowings	260,000	171,647	51.5%
Current assets	1,785,626	1,572,878	13.5%
Current liabilities	531,021	434,628	22.2%
Net current assets	1,254,605	1,138,250	10.2%
Total equity	1,372,824	1,390,913	-1.3%

Cash and Bank Balances

As at 31 December 2022, we had cash and bank balances of RMB612.6 million, as compared with RMB444.9 million as at 31 December 2021. The increase in cash and bank balances was mainly due to the increase in our bank borrowings and the capital injection by the non-controlling interest. Our cash and bank balances were denominated in Renminbi, Hong Kong dollars and US dollars.

Bank Borrowings

Our bank borrowings as at 31 December 2021 amounted to RMB171.6 million, among which, (1) the bank borrowings of RMB30.0 million are secured by pledged deposits of RMB30.0 million and US\$1.9 million provided by one of our subsidiaries, (2) the bank borrowings of RMB49.0 million are guaranteed by two of our subsidiaries, (3) the bank borrowings of RMB5.0 million are guaranteed by an independent third party, (4) the bank borrowings of RMB90.0 million are guaranteed by our Company, and (5) the bank borrowings of RMB139.0 million are guaranteed by the Controlling Shareholders.

As at 31 December 2022, our bank borrowings increased to RMB260.0 million, among which, (1) the bank borrowings of RMB71.0 million are secured by pledged deposits of RMB61.7 million provided by three of our subsidiaries, (2) the bank borrowings of RMB95.0 million are guaranteed by two of our subsidiaries, (3) the bank borrowings of RMB100.0 million are guaranteed by our Company and (4) the bank borrowings of RMB200.0 million are guaranteed by the Controlling Shareholders. All the bank borrowings as at 31 December 2022 were denominated in Renminbi and will be mature within one year, with fixed interest rates ranging from 1.500% to 4.350% per annum. The increase in bank borrowings was primarily due to the increase in external loans used for our business expansion.

Net Current Assets

Our net current assets were RMB1,254.6 million as at 31 December 2022, compared to RMB1,138.3 million as at 31 December 2021. Our current assets were RMB1,785.6 million as at 31 December 2022, compared to RMB1,572.9 million as at 31 December 2021, primarily due to the increase in cash and bank balance. Our prepayments, deposits and other receivables were RMB571.8 million as at 31 December 2022, compared to RMB546.6 million as at 31 December 2021, which was mainly attributable to the increase in purchase of prepaid data traffic for the Group's business development needs. Our current liabilities were RMB531.0 million as at 31 December 2022, compared to RMB434.6 million as at 31 December 2021, primarily due to the increase in interest-bearing bank borrowings and other payables and accruals, partly offset by the decrease in accounts payable.

Total Equity

As at 31 December 2022, our total equity was RMB1,372.8 million, compared to RMB1,390.9 million as at 31 December 2021, mainly due to the net loss occurred during 2022.

Key Financial Ratios

	As at 31 December	
	2022	2021
Current ratio (times) ⁽¹⁾	3.4	3.6
Gearing ratio (%) ⁽²⁾	<u>28.2</u>	<u>24.6</u>
	Year ended 31 December	
	2022	2021
Adjusted net profit margin ⁽³⁾	<u>2.1%</u>	<u>3.8%</u>

Notes:

- (1) Current ratio was calculated based on our total current assets divided by our total current liabilities at the end of each financial period.
- (2) Gearing ratio was calculated based on our total liabilities divided by our total assets at the end of each financial period.
- (3) Adjusted net profit margin was calculated based on our adjusted net profit for the relevant period divided by our total revenues for the same period.

Current Ratio

Our current ratio decreased from 3.6 as at 31 December 2021 to 3.4 as at 31 December 2022, primarily due to the increase in current liabilities resulting from the increase in interest-bearing bank borrowings and other payables and accruals.

Gearing Ratio

Our gearing ratio increased from 24.6% as at 31 December 2021 to 28.2% as at 31 December 2022, mainly due to the increase in total liabilities.

Adjusted Net Profit Margin

Our adjusted net profit margin decreased from 3.8% in 2021 to 2.1% in 2022, primarily due to the increase in overall operating expenses and the decrease in gross profit.

Capital Expenditure and Investments

Our capital expenditures mainly consist of additions to property, plant and equipment and intangible assets. Our capital expenditures amounted to RMB750,000 and RMB1,072,000 in 2022 and 2021, respectively.

Funding and Treasury Policies

We expect to fund our working capital and other capital requirements from a combination of various sources, including but not limited to internal resources and external financing at reasonable market rates. We seek to improve the return of the equity and assets while adhering to our prudent funding and treasury policies.

Foreign Exchange Risk

The Group's subsidiaries primarily operate in the PRC and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollars and the Hong Kong dollars. Therefore, foreign exchange risk primarily arose from recognised assets and liabilities in the Group's PRC subsidiaries when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to, overseas business partners. We did not hedge against any fluctuation in foreign currency during the year ended 31 December 2022.

Future Plans for Material Investment and Capital Assets

Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals of subsidiaries, associated companies and joint ventures in 2022.

Significant Investments

The Group had no significant investments for the year ended 31 December 2022.

Pledge on Assets

Certain deposits placed with banks were used as pledged assets for the Group's bank borrowings. For more details, please refer to note 12 to the consolidated financial information in this announcement.

Contingent Liabilities

As at 31 December 2022, we did not have any material contingent liabilities (2021: nil).

Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all shareholders.

During the year ended 31 December 2022, the Company has complied with all applicable code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), except for the following deviation from code provision C.2.1 of the CG Code.

Code provision C.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the period from 1 January 2022 to 16 December 2022, the chairman of the Board and the chief executive officer of the Company were held by Mr. GAO Dinan (“**Mr. Gao**”). Mr. Gao has resigned from his position as the chief executive officer of the Company with effect from 16 December 2022, and Ms. JIANG Yu has been appointed as the chief executive officer of the Company with effect from the same day. The Company has been in compliance with the requirements under the code provision C.2.1 of the CG Code of separating the roles of the chairman and the chief executive officer since 16 December 2022.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2022.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code and maintain a high standard of corporate governance practices of the Company.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the year ended 31 December 2022.

The Group’s employees, who are likely to be in possession of inside information of the Group, are also subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company.

Audit Committee and Review of Financial Statements

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprises three members, namely Mr. CHEN Baoguo, Mr. JIN Yongsheng and Mr. YU Limin, all of them are independent non-executive Directors. Mr. CHEN Baoguo is the chairman of the Audit Committee.

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2022. The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and discussed matters in relation to, among others, risk management, internal control and financial reporting of the Group with senior management and the Company’s auditor. Based on this review and discussions with the management, the Audit Committee was satisfied that the Group’s consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the year ended 31 December 2022.

Scope of Work of the Auditor

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group’s auditors, BDO Limited (“**BDO HK**”), to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by BDO HK in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO HK on the preliminary announcement.

Use of Proceeds

The Shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 21 December 2018 by way of global offering, raising total net proceeds of approximately HK\$194.7 million (equivalent to approximately RMB171.2 million) after deducting professional fees, underwriting commissions and other related listing expenses (the “**IPO**”).

As at 31 December 2022, the Group had utilized the proceeds as set out in the table below:

	Net proceeds from the IPO		Utilization up to 31 December 2022		Utilization during the Reporting Period		Unutilized proceeds		Expected timeline for the use of unutilized Proceeds
	<i>HK\$’ million</i>	<i>RMB million</i>	<i>HK\$’ million</i>	<i>RMB million</i>	<i>HK\$’ million</i>	<i>RMB million</i>	<i>HK\$’ million</i>	<i>RMB million</i>	
Strengthening research and development capabilities	58.4	51.4	58.4	51.4	-	-	-	-	-
Promoting the development standard of Quick Apps	58.4	51.4	53.2	46.8	5.1	4.5	5.2	4.6	December 2023
Expanding service offerings and strengthening ecosystem	29.2	25.7	29.2	25.7	-	-	-	-	-
Expanding monetization channels and strengthening sales and marketing capabilities	29.2	25.7	29.2	25.7	-	-	-	-	-
Working capital and general corporate uses	19.5	17.0	19.5	17.0	-	-	-	-	-
Total	194.7	171.2	189.5	166.6	5.1	4.5	5.2	4.6	

The remaining balance of the net proceeds from the IPO was placed with banks. There has been no change in the intended use of net proceeds as previously disclosed in the prospectus of the Company dated 11 December 2018 (the “**Prospectus**”) and the Group will apply the remaining net proceeds in the manner set out in the Prospectus.

To strengthen the financial position of the Group and provide working capital to the Group, the Company completed the Placing of 135,000,000 new Shares at the placing price of HK\$1.45 per Share in March 2021, and received the net proceeds from the Placing of approximately HK\$189.0 million (equivalent to approximately RMB157.8 million) after deducting the expenses incurred in connection with the Placing.

As at 31 December 2022, the Group had utilized the proceeds as set out in the table below:

	Net proceeds from the Placing		Utilization up to 31 December 2022		Utilization during the Reporting Period		Unutilized proceeds		Expected timeline for the use of unutilized proceeds
	<i>HK\$' million</i>	<i>RMB million</i>	<i>HK\$' million</i>	<i>RMB million</i>	<i>HK\$' million</i>	<i>RMB million</i>	<i>HK\$' million</i>	<i>RMB million</i>	
Further develop the Group's existing business lines	113.4	94.7	83.6	69.8	57.7	48.2	29.8	24.9	December 2023
Enhance the Group's digital infrastructure and for research and development of new internet and technological solutions	56.7	47.3	27.2	22.7	14.4	12.2	29.5	24.6	December 2023
General working capital uses	18.9	15.8	13.5	11.3	6.0	5.0	5.4	4.5	December 2023
Total	189.0	157.8	124.3	103.8	78.1	65.4	64.7	54.0	

The remaining balance of the net proceeds from the Placing was placed with banks. There has been no change in the intended use of net proceeds and the net proceeds from the Placing have been and will be applied in the manner consistent with the use of proceeds as disclosed above.

Annual General Meeting (“AGM”)

The AGM will be held on 9 June 2023, Friday. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

Closure of Register of Members

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 6 June 2023, Tuesday to 9 June 2023, Friday, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 5 June 2023, Monday.

Sufficiency of Public Float

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under the Listing Rules.

Subsequent Events

There were no significant events that might affect the Group subsequent to the year ended 31 December 2022.

Disclosure Pursuant to Rule 13.19 and Rule 13.21 of the Listing Rules

As disclosed in the announcement of the Company dated 20 March 2023, the Group has failed to satisfy certain financial covenants under a banking facility with East West Bank (China) Limited.

Where the circumstances giving rise to the obligations under Rule 13.19 of the Listing Rules continue to exist, the Company will include relevant disclosures in subsequent annual report in accordance with Rule 13.21 of the Listing Rules, and will disclose further developments on this matter by way of further announcement(s) in a timely manner in accordance with requirements under the Listing Rules.

Publication of 2022 Annual Results and Annual Report of the Company

This annual results announcement of the Company is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wankaonline.com). The Annual Report of the Company for the year ended 31 December 2022 will be dispatched to the shareholders of the Company and published on the aforesaid websites in due course.

APPRECIATION

On behalf of the Board, I hereby express my sincere appreciation to the management team and all employees for their dedication, proactive work attitude and spirit. We also greatly appreciate our partners, Shareholders and stakeholders for their trust and support over the years. We will continue to focus on the areas where we have keen insight and enhance our professional capabilities in order to provide better services to the participants in the mobile internet ecosystem and contribute to the construction and stable development of the industry ecosystem.

By order of the Board
Wanka Online Inc.
GAO Dinan
Chairman

Hong Kong, 27 March 2023

As at the date of this announcement, the board of directors of the Company comprises Mr. GAO Dinan, Mr. NIE Xin and Ms. JIANG Yu as executive Directors; Mr. ZHENG Wei as non-executive Director; and Mr. CHEN Baoguo, Mr. JIN Yongsheng and Mr. YU Limin as independent non-executive Directors.