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Infinites Technology International (Cayman) Holding Limited

多牛科技國際(開曼)集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1961)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Infinites Technology International (Cayman) Holding Limited (the “**Company**”) announces the consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022. The annual results have been reviewed by the Company’s Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Year ended 31 December		Change %
	2022 (RMB'000)	2021 (RMB'000)	
Revenue	103,910	114,914	-9.6%
Gross profit	16,045	14,391	11.5%
Loss for the year	(86,000)	(86,822)	-0.9%

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 December 2022 (for the year ended 31 December 2021: Nil).

REVIEW OF OPERATION

Business Review

Year 2022 has continued to be a challenging year. Affected by the repeated COVID-19 pandemic around the world, the market operating environment was somehow difficult, but the Company still insisted on consolidating the business and seeking diversified development. The Group focused on deepening the development and operation of mobile games, as well as the stable expansion of digital media distribution business, enriching the diversified structure of its business, and strengthening the operational capabilities of the advertising services, making the Company move forward more steadily. At the same time, the Group continued to follow the changing trend of the domestic internet market, seize new opportunities in the industry development, and explore more business models. This year, the Group has expanded new business segments to provide gaming products supply to partners, in order to further develop game related businesses, and boost the business scale.

In addition, the Company closely monitor business opportunities in overseas markets. With the accelerated commercialization of overseas advertising platforms, the Group has expanded strategic cooperation in overseas markets this year to accelerate the development of overseas businesses.

During the reporting period, there was a slight dip in the revenue as the composition of which changes, the revenue decreased by RMB11.0 million or 9.6% from approximately RMB114.9 million for the year ended 31 December 2021 (“**FY2021**”) to approximately RMB103.9 million for the year ended 31 December 2022 (“**FY2022**”). The decrease in the revenue was mainly due to a decrease of approximately RMB44.3 million in revenue from the mobile game business, and partially offset by an increase of approximately RMB8.1 million in revenue from the digital media content distribution business, and an increase of 25.2 million in revenue from the newly expanded gaming products supply business. Gross profit increased by approximately RMB1.6 million or 11.5% from approximately RMB14.4 million in FY2021 to approximately RMB16.0 million in FY2022. This is mainly due to the decline in our revenue scale due to repeated epidemics and challenging operating environment. However, the Group has deepened, diversified, and explored the business structure this year, and the newly expanded gaming products supply business has begun to develop steadily, which has further improved the gross profit capability.

The loss for FY2022 was largely similar to that of FY2021, which amounted to approximately RMB86.0 million, while the loss for FY2021 was approximately RMB86.8 million. The decrease in losses was mainly due to (i) the increase in gross profit of approximately RMB1.6 million; (ii) the decrease in sales and distribution expenses of approximately RMB13.9 million, which was partially offset by the increase in administrative expenses of approximately RMB1.4 million, the increase in impairment of trade receivables of approximately RMB5.4 million, the decrease in other income of approximately RMB2.6 million, and the increase in other expenses of approximately RMB3.8 million.

OUTLOOK

Since the issuance of game publication approvals resumed in April 2022, the number of game publication approvals issued per month has steadily increased. From January to February 2023, a total of 175 game publication approvals were granted, accounting for more than one-third of the 512 game publication approvals granted for the entire year of 2022. The normalization of the issuance of game publication approvals for domestic and imported games has sent a very positive signal to the gaming industry. As the chill that has been pervading the gaming industry in the past few years has gradually dissipated, the gaming industry will usher in a spring-like recovery and will achieve more healthy and stable development in the future.

Looking forward, with major victories in epidemic prevention and control, China's economy has entered a stage of rapid recovery. With the publication of the Development of Digital Economy during the period of the National 14th Five-Year Plan and the successive introduction of various major measures, the direction of the country's efforts to develop the digital economy has become clearer, indicating that the digital economy industry will be an important driving force for China's economic development in the next decade or even longer.

At the same time, with the advent of the artificial intelligence generated content (“AIGC”) craze, breakthroughs in artificial intelligence technology will usher in a new round of industrial transformation in the digital economy and even in the game field. The widespread application of AIGC will promote a major upgrade in industry productivity, and penetrate multiple links such as content generation, advertising, and game production research and development, and thus facilitate the development of the gaming industry in a more diversified direction.

Adopting the long-term perspective, the Company will actively respond to the national policy call to strengthen the development of the digital economy. In the context of the deepening of the global digitalisation process and the continuous upgrading of the new generation of information technology, the Company will seize the industry opportunities brought by the explosion of artificial intelligence technology while continuing to increase investment in game engine research and development, game distribution and

operation, building a diversified and innovative product portfolio, strengthening the Group's competitiveness, and actively seek business model upgrading opportunities, explore the integration and expansion of AIGC's new track and the Group's business, and integrate internal and external resources for development innovation continues to introduce new dynamics into the Group's long-term development.

PROSPECTS

In 2023, based on the Company's years of technical and content advantages in the digital economy fields such as mobile games and digital media, the Company will maintain the steady development in the business, strengthen the development and operation of the mobile game business, and extensively cooperate with the industry's leading media platforms in the digital media content distribution business, as well as in the advertising distribution and operation business under the respective segments. At the same time, the Company will accelerate the market expansion of new business, gaming products supply, actively explore overseas markets, further improve the revenue generating ability, and turn losses into to profits as soon as possible.

In 2023, in terms of mobile game development and operation business, the Company will accelerate the launch of multiple cooperative development and joint operation mobile games, actively expand the advertising distribution market for overseas games. At the same time, the Group is also seeking new cooperative teams, introducing more advanced technology, reserving more high-quality mobile game products, and improving our revenue generation and profitability.

In terms of digital media content distribution business, the Company focus on cooperation with new business partner to explore and access more digital media resources and distribute more digital media information. Following the development of the domestic digital economy, the Company will further improve the operational capacity of digital media advertising and further explore the domestic digital media advertising markets. At the same time, the Company will continue to expand the advertising distribution market for digital media products such as overseas tools and applications.

In terms of gaming products supply business, the Company will accelerate the establishment of a more complete supply system, enrich the variety of game products, expand closer cooperation with product suppliers, accurately grasp market fluctuations in the mainland market and the overseas market, in order to improve the profitability of the business.

In the future, the Company will continue to maintain the healthy development of all business segments through flexible and timely resource allocation, actively promote the diversified development of all business segments of the Company, and maintain the stability of the Company's overall business and improve profitability. The Company is confident about the future.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Mobile Game

The mobile game consists of development and operation of mobile games and information services where the Group cooperated with corporate customers to integrate media content in some of the mobile games the Group operate.

The following table sets forth certain operating statistics relating to the mobile game of the Group in the periods indicated:

	Year ended 31 December		Change %
	2022	2021	
Game			
Number of paying players ('000)	283.6	351.9	-19.4%
Average MPUs ('000)	23.6	29.3	-19.5%
Average ARPPU (RMB)	183.99	344.96	-46.7%

- MPUs. The average monthly paying users (“MPUs”) for the gaming business decreased to approximately 23,600 for the year ended 31 December 2022 from approximately 29,300 for the year ended 31 December 2021. The decrease was primarily due to the impact of the economic downturn caused by repeated epidemic in FY2022, resulting in a decline in our mobile game business and a decrease in the number of paying players as compared to FY2021.
- ARPPU. Average revenue per paying user (“ARPPU”) level of gaming business decreased to approximately RMB183.99 for the year ended 31 December 2022 as compared to RMB344.96 for the year ended 31 December 2021. The decrease is mainly due to the economic downturn caused by repeated epidemic in FY2022, which has had a significant impact on the public’s entertainment life, greatly reducing the desire of game players to pay, resulting in a significant decrease in the average level of payment for our mobile game business as compared to FY2021.

The following table sets forth the Group's consolidated statement of profit or loss for the year ended 31 December 2022 as compared to the year ended 31 December 2021:

	Year ended 31 December		Change %
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	
Revenue	103,910	114,914	-9.6%
Cost of sales	(87,865)	(100,523)	-12.6%
Gross profit	16,045	14,391	11.5%
Other income and gains, net	1,471	4,097	-64.1%
Selling and distribution expenses	(6,469)	(20,370)	-68.2%
Administrative expenses	(23,652)	(22,216)	6.5%
Research and development expenses	(37,501)	(37,358)	0.4%
Impairment of trade receivables	(20,388)	(14,948)	36.4%
Other expenses	(14,441)	(10,620)	36.0%
Finance costs	(123)	(56)	119.6%
Share of results of associates	(621)	297	-309.1%
Loss before tax	(85,679)	(86,783)	-1.3%
Income tax expense	(321)	(39)	723.1%
Loss for the year	(86,000)	(86,822)	-0.9%

Revenue

Revenue decreased by approximately RMB11.0 million or 9.6% to approximately RMB103.9 million for the year ended 31 December 2022 from approximately RMB114.9 million for the year ended 31 December 2021. The following table sets forth the revenue of the Group by business segment for the years ended 31 December 2021 and 2022:

	Year ended 31 December			
	2022		2021	
	<i>RMB'000</i>	<i>% to total revenue</i>	<i>RMB'000</i>	<i>% to total revenue</i>
Mobile games				
— Development and operation	56,499	54.4%	101,567	88.4%
— Information services	2,208	2.1%	1,438	1.2%
Digital media				
— Content distribution	4,500	4.3%	11,909	10.4%
— Advertisement distribution services	15,509	14.9%	—	—
Gaming products supply	25,194	24.3%	—	—
Total Revenue from contracts with customers	<u>103,910</u>	<u>100.0%</u>	<u>114,914</u>	<u>100.0%</u>

- Revenue generated from the Group's mobile games decreased by approximately RMB44.3 million or 43.0% to approximately RMB58.7 million for the year ended 31 December 2022 from approximately RMB103.0 million for the year ended 31 December 2021. Such decrease was primarily due to (i) the economic downturn caused by the repeated epidemic in FY2022, which has a significant impact on the public's entertainment life, greatly reducing the desire of players to pay, resulting in a decline in the Group's gaming business revenue; and (ii) the Group's diversification, optimization and adjustment of its business structure and business resources in FY2022 in line with the market economic environment, deepening and refining its segmented business operations, and opening up new business of gaming products supply, occupying some of the operating resources originally belonging to the mobile game business.

- Revenue generated from the Group’s digital media content distribution increased by approximately RMB8.1 million or 68.0% to approximately RMB20.0 million for the year ended 31 December 2022 from approximately RMB11.9 million for the year ended 31 December 2021. Such increase was primarily due to the Group’s adjustment and optimization of the business structure of digital media content business in line with the changes in the digital economy environment in FY2022, and its active expansion of advertising operations and distribution businesses for digital media content such as brands, tools, and applications in the mainland market and overseas market. These adjustments have greatly increased the Group’s revenue from its digital media content business.
- Revenue generated from the Group’s gaming products supply business was approximately RMB25.2 million in FY2022 (nil in FY2021). The business is the newly expanded business lines of the Group, supplying game consoles, console games, their merchandise and accessories to Chengdu Bashi and its affiliates. For details, please refer to the announcement of the Company dated 1 August 2022.

Cost of sales

Cost of sales decreased by approximately RMB12.6 million or 12.6% to approximately RMB87.9 million for the year ended 31 December 2022 from approximately RMB100.5 million for the year ended 31 December 2021. The decrease was mainly due to the decrease in service fee charged by the Group’s distribution channel providers as a result of the decrease in revenue, while the Group optimized and adjusted its business structure, gradually improving its gross profit. For the year ended 31 December 2022, the proportion of cost of sales to total revenue decreased to approximately 84.6% (for the year ended 31 December 2021: approximately 87.5%), which is mainly due to the higher gross profit margin of the segmented advertising operation and distribution business of mobile games and digital media content.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB13.9 million or 68.2% to approximately RMB6.5 million for the year ended 31 December 2022 from approximately RMB20.4 million for the year ended 31 December 2021. The decrease was mainly due to the optimization and adjustment of the business structure of the Group in FY2022, enriching the diversification of the business structure, and reducing the relatively inefficient competitions as the marketing planning carried out in FY2021.

Administrative expenses

Administrative expenses increased by approximately RMB1.4 million or 6.5% to approximately RMB23.6 million for the year ended 31 December 2022 from approximately RMB22.2 million for the year ended 31 December 2021. The increase was mainly attributable to the increase in staff costs and the decrease in professional fees in FY2022.

Research and development expenses

Research and development expenses increased by approximately RMB0.1 million or 0.4% to approximately RMB37.5 million for the year ended 31 December 2022 from approximately RMB37.4 million for the year ended 31 December 2021. Research and development expenses remained largely unchanged, which was mainly due to the Group's continued investment in mobile game development to reserve more high-quality mobile game products and enhance the Group's product market competitiveness.

Other income and gains, net

Other income and gains, net decreased to approximately RMB1.5 million for the year ended 31 December 2022 from approximately RMB4.1 million for the year ended 31 December 2021, which was mainly attributable to the decrease of approximately RMB2.1 million in government grants.

Impairment of trade receivables

Impairment of trade receivables was approximately RMB20.4 million for the year ended 31 December 2022, as compared to the impairment of trade receivables of approximately RMB14.9 million for the year ended 31 December 2021, which was due to the decrease in recovery rate of trade receivables during the year ended 31 December 2022.

Other expenses

Other expenses for the year ended 31 December 2022 was approximately RMB14.4 million, as compared to other expenses of approximately RMB10.6 million for the year ended 31 December 2021. The increase was mainly due to the impairment provision of approximately RMB4.1 million for the Group's investment in associates.

Finance costs

Finance costs for the year ended 31 December 2022 was approximately RMB123,000 (for the year ended 31 December 2021: approximately RMB56,000). The increase was mainly due to the increase in accrued interest expenses as the Group increased the loans from a fellow subsidiary and the ultimate holding company in FY2022.

Income tax expense

The Group recognised income tax expense of approximately RMB321,000 for the year ended 31 December 2022 while the income tax expense was approximately RMB39,000 for the year ended 31 December 2021. Such increase was mainly attributable to the increase in taxable income of certain subsidiaries during the same period.

Loss for the year

Based on the foregoing, the loss for the year was approximately RMB86.0 million for the year ended 31 December 2022, as compared to the loss for the year of approximately RMB86.8 million for the year ended 31 December 2021.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	<u>20,715</u>	<u>12,128</u>

The Group's total cash and cash equivalent amounted to approximately RMB20.7 million as at 31 December 2022, as compared to approximately RMB12.1 million as at 31 December 2021. The increase is mainly due to the net operating cash outflow and loans from a fellow subsidiary and the ultimate holding company during the year ended 31 December 2022.

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of fundings, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in Renminbi ("RMB"), followed by Hong Kong dollars ("HKD").

The Group did not have any bank borrowing balance as at 31 December 2022 and 2021. As at 31 December 2022, the Group's gearing ratio (calculated as bank borrowing and loan from a fellow subsidiary and the ultimate holding company divided by total assets) was 14.3% (2021: nil). The borrowing requirements of the Group are not subject to seasonality.

MATERIAL ACQUISITION AND DISPOSAL AND SIGNIFICANT INVESTMENT

During the FY2022, the Group disposed of its entire equity interests in Guangzhou Jinyi Electronic Technology Company Limited* (廣州市金奕電子科技有限公司) to Hefei Minjing Information Technology Co., Ltd* (合肥旻景信息科技有限公司) with a consideration of RMB2.5 million. For details, please refer to the announcements of the Company dated 30 June 2022 and 5 July 2022. As at the date of this announcement, save as disclosed, there were no material acquisition and disposal or significant investment conducted by the Group.

CONTINGENT LIABILITIES

Reference is made to the litigation announcement of the Company dated 18 January 2022 in relation to disputes of infringement of copyrights and unfair competition that the plaintiff initiated legal proceedings to claim for economic loss, together with other expenses, against defendants, which include two indirectly non-wholly owned subsidiaries of the Company. For details, please refer to the announcement of the Company dated 18 January 2022. Based on the progress of the proceeding to date, the Group is currently unable to determine the range of reasonably possible losses, if any, and believes that the outcome of such proceeding will have no material financial impact on the Group. No provision for disputed costs has been made in the consolidated financial statements. As at the date of this announcement, save as disclosed, the Group did not have any significant unrecorded contingent liabilities.

HUMAN RESOURCES

As at 31 December 2022, the Group had a total of 89 employees, whom are based in Guangzhou, Beijing and Chengdu. Total staff costs were approximately RMB14.9 million for the year ended 31 December 2022. The Group provides employees with competitive remuneration and various benefits including housing, pension, medical and unemployment benefit plan, and the Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group provide customized and continuous on-the-job training to our new employees by experienced mentors from relevant teams or departments.

EVENT AFTER THE REPORTING PERIOD

The Group did not have any significant events after 31 December 2022 and up to the date of this announcement.

PRINCIPAL RISKS AND UNCERTAINTIES

Although the Group has successfully established its mobile games, there are certain risks that could adversely affect the Group's operations and financial results due to the immaturity of the mobile game industry in the PRC. The major hurdles include (i) new policies or any amendment to the current policies in relation to the mobile game industry, (ii) reliance on distribution channel providers, (iii) the game portfolio included games that are self-developed or licensed games, so the Group's operations may be adversely affected if the Group cannot seek alternatives in a timely manner; and (iv) the Group may be exposed to payment delays or defaults from settlement agents, which would adversely affect the Group's cash flow or financial results.

Meanwhile, for the Group's established digital media content, the major hurdles include external interruptions such as system disruption, hacking or service suspension on any of the distribution platforms or the publishing platform.

With regard to the Group's newly established business, gaming products supply, as our suppliers include both domestic and overseas suppliers, the main difficulties faced by the Group include (i) the quality of game products purchased from suppliers, as well as losses during transportation; (ii) relying on a single customer; and (iii) fluctuations in foreign exchange rates that may adversely affect the Group's cash flow or financial results.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 December	
		2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	4	103,910	114,914
Cost of sales		<u>(87,865)</u>	<u>(100,523)</u>
Gross profit		16,045	14,391
Other income and gains, net	4	1,471	4,097
Selling and distribution expenses		(6,469)	(20,370)
Administrative expenses		(23,652)	(22,216)
Research and development expenses		(37,501)	(37,358)
Impairment of trade receivables		(20,388)	(14,948)
Other expenses		(14,441)	(10,620)
Finance costs		(123)	(56)
Share of results of associates		<u>(621)</u>	<u>297</u>
Loss before tax	5	(85,679)	(86,783)
Income tax expense	6	<u>(321)</u>	<u>(39)</u>
Loss for the year		<u>(86,000)</u>	<u>(86,822)</u>
Attributable to:			
Owners of the parent		(84,445)	(85,056)
Non-controlling interests		<u>(1,555)</u>	<u>(1,766)</u>
		<u>(86,000)</u>	<u>(86,822)</u>
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted	8	<u>RMB(15.5) cents</u>	<u>RMB(15.6) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the year	(86,000)	(86,822)
Other comprehensive income/(loss)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	3,529	(2,076)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<u>(1,695)</u>	<u>1,149</u>
Other comprehensive income/(loss) for the year	<u>1,834</u>	<u>(927)</u>
Total comprehensive loss for the year	<u>(84,166)</u>	<u>(87,749)</u>
Attributable to:		
Owners of the parent	(82,611)	(85,983)
Non-controlling interests	<u>(1,555)</u>	<u>(1,766)</u>
	<u>(84,166)</u>	<u>(87,749)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2022	2021
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		726	731
Right-of-use assets		590	1,096
Interests in associates		19,053	29,414
Equity investments designated at fair value through other comprehensive income		8,324	4,749
Prepayments and deposits		115	21,123
Total non-current assets		28,808	57,113
Current assets			
Trade receivables	9	26,725	41,596
Prepayments, deposits and other receivables		39,431	49,948
Financial asset at fair value through profit or loss		–	13,137
Cash and cash equivalents		20,715	12,128
Total current assets		86,871	116,809
Current liabilities			
Trade payables	10	22,121	10,414
Contract liabilities		2,368	7,723
Other payables and accruals		16,472	13,201
Lease liabilities		577	523
Tax payable		971	707
Total current liabilities		42,509	32,568
Net current assets		44,362	84,241
Total assets less current liabilities		73,170	141,354
Non-current liabilities			
Lease liabilities		100	677
Deferred tax liabilities		2,164	2,164
Loans from a fellow subsidiary		10,062	–
Loans from the ultimate holding company		6,497	–
Total non-current liabilities		18,823	2,841
Net assets		54,347	138,513

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	4,946	4,946
Reserves	<u>43,638</u>	<u>124,266</u>
	48,584	129,212
Non-controlling interests	<u>5,763</u>	<u>9,301</u>
Total equity	<u><u>54,347</u></u>	<u><u>138,513</u></u>

NOTES

1 CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room B102, 1st Floor, Dongcheng Building, 58 Jianzhong Road, Tianhe District, Guangzhou, PRC. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 March 2020.

Pursuant to a special resolution passed by the Company, the name of the Company was changed from Jiu Zun Digital Interactive Entertainment Group Holdings Limited to Infinities Technology International (Cayman) Holding Limited with effect from 5 July 2022.

The registration of the new name of the Company in Hong Kong was completed on 26 July 2022.

During the year, the Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the development and operation of mobile games, the distribution of digital media content and gaming products supply in China and overseas.

In the opinion of the Directors, the ultimate holding company of the Company is Infinities Technology (Cayman) Holding Limited, a company incorporated in Cayman Islands.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and financial asset at fair value through profit or loss which have been measured at fair value. They are presented in RMB and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

Basis for consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3 OPERATING SEGMENT INFORMATION

The Group is principally engaged in mobile game development and operation, digital media content distribution and gaming products supply in China and overseas. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) *Revenue from external customers*

All significant external customers of the Group are located in China. Accordingly, no geographical information of revenue from external customers is presented.

(b) *Non-current assets*

All significant non-current assets of the Group are located in China. Accordingly, no geographical information of non-current assets is presented.

Information about a major customer

Revenue of gaming products supply approximately RMB25,194,000 was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer for the year ended 31 December 2022.

No revenues from the Group's transactions with a single customer amounted to 10% or more of the Group's revenues for the year ended 31 December 2021.

4 REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Types of goods and services		
Mobile games		
— Development and operation	56,499	101,567
— Information services	2,208	1,438
Digital media		
— Content distribution	4,500	11,909
— Advertisement distribution services	15,509	—
Gaming products supply	25,194	—
	<u>103,910</u>	<u>114,914</u>
Total revenue from contracts with customers	<u>103,910</u>	<u>114,914</u>
Geographical markets		
China	102,118	114,914
Others	1,792	—
	<u>103,910</u>	<u>114,914</u>
Total revenue from contracts with customers	<u>103,910</u>	<u>114,914</u>
Timing of revenue recognition		
Point in time (<i>note (a)</i>)	47,411	13,377
Over time (<i>note (b)</i>)	56,499	101,537
	<u>103,910</u>	<u>114,914</u>
Total revenue from contracts with customers	<u>103,910</u>	<u>114,914</u>

Notes:

- (a) Including revenue from gaming products supply, advertising distribution services, digital media content distribution, information services and single-player mobile games, for which the revenue is recognised at the point in time when control of the respective good or service is transferred to the customer.

- (b) Including revenue from multi-player mobile games. Since the Group has an implied obligation to provide the service which enables the virtual items to be consumed, revenue is recognized ratably over the estimated average playing period of paying players, starting from the time when virtual items are delivered to the player's accounts and all other revenues recognition criteria are met.

An analysis of other income and gains, net is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other income		
Interest income	373	792
Government grants*	304	2,444
Covid-19-related rent concessions	115	–
Others	567	596
	<u>1,359</u>	<u>3,832</u>
Gains, net		
Gain on write-back of other payables	–	265
Gain on disposal of items of property, plant and equipment	13	–
Gain on deemed disposal of an associate	99	–
	<u>112</u>	<u>265</u>
	<u><u>1,471</u></u>	<u><u>4,097</u></u>

- * The government grants mainly represented COVID-19 related subsidies received from local government for employment support and business operations support in the PRC. During the year ended 31 December 2021, various government grants of RMB2.4 million had been received by certain subsidiaries as these subsidiaries were qualified as High and New Technology Enterprises in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

5 LOSS BEFORE TAX

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales	87,865	100,523
Auditor's remuneration	1,801	1,536
Depreciation of property, plant and equipment	204	194
Depreciation of right-of-use assets	506	422
Employee benefit expense (including directors' and chief executives' remuneration):		
Wages, salaries, bonuses and allowances	13,441	8,883
Pension scheme contributions	1,432	1,022
	14,873	9,905
Impairment of trade receivables, net	20,388	14,948
Impairment of deposits and other receivables [#]	9,211	3,365
(Gain)/loss on disposal of items of property, plant and equipment [#]	(13)	23
Write-off of items of property, plant and equipment [#]	23	31
Fair value loss on financial asset at fair value through profit or loss, net [#]	272	111
Write-off of other receivables [#]	–	296
Impairment of interest in associates [#]	4,069	700
Loss on disposal of a subsidiary [#]	767	–

[#] These gains are included in "Other income and gains, net" and the losses are included in "Other expenses", as appropriate, in the consolidated statement of profit or loss.

6 INCOME TAX EXPENSE

All subsidiaries of the Group established in the PRC are subject to PRC corporate income tax at a standard rate of 25% during the year, except for:

- (i) Certain subsidiaries of the Group which qualified as High and New Technology Enterprises in Mainland China, were entitled to a lower PRC corporate income tax rate of 15%; and
- (ii) Certain subsidiaries of the Group applied the Small-Scaled Minimal Profit Enterprise Income Tax Preferential Policy announced by the PRC's State Administration of Taxation.
- (iii) A subsidiary of the Group was qualified as a software enterprise by Guangdong Software Industry Association and was entitled to tax exemption for two years and thereafter to a preferential rate at half of the corporate income tax rate for three years.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current — Mainland China		
Charge for the year	<u>321</u>	<u>39</u>

7 DIVIDENDS

The board of directors do not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of RMB84,445,000 (2021: RMB85,056,000), and the weighted average number of ordinary shares of 546,000,000 (2021: 546,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

9 TRADE RECEIVABLES

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	65,651	60,351
Impairment	(38,926)	(18,755)
	<u>26,725</u>	<u>41,596</u>

The Group's trading terms with its debtors are on credit. The credit periods range from 30 to 90 days during the year. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	7,075	2,551
31 to 60 days	1,466	2,392
61 to 90 days	1,182	1,992
91 to 180 days	435	1,588
181 to 365 days	1,145	2,772
Over 365 days	15,422	30,301
	<u>26,725</u>	<u>41,596</u>

10 TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	9,472	1,161
1 to 2 months	3,412	1,086
2 to 3 months	357	2,463
Over 3 months	8,880	5,704
	<u>22,121</u>	<u>10,414</u>

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 90 days.

OTHER INFORMATION

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

During FY2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Audit and Compliance Committee

The audit and compliance committee of the Company has reviewed together with the Board the accounting standards and practices adopted by the Group and the consolidated financial statements of the Company for the year ended 31 December 2022.

Scope of Work of Ernst & Young

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income 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, Ernst & Young ("EY"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by EY on the preliminary announcement.

Corporate Governance Code

The Company has committed to delivering and maintaining a higher standard of corporate governance to meet the business needs and expectation from the shareholders of the Company (the "**Shareholders**"). The Company has adopted principles and code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as the basis of the Company's principles and corporate governance practices. The Company has complied with all the applicable code provisions of the CG Code during FY2022.

Model Code for Securities Transactions by Directors

The Company has adopted the code of conduct and procedures governing Directors' securities transactions in stringent compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the code of conduct and procedures governing Directors' securities transactions during FY2022.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 27 June 2023 to Friday, 30 June 2023 (both days inclusive), for the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2023 annual general meeting. In order to be entitled to attend and vote at the 2023 annual general meeting, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. (Hong Kong Time) on Monday, 26 June 2023.

Publication of the Annual Results and 2022 Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<https://www.infinities.com.hk>). The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

Appreciation

The Board would like to express its sincere gratitude to the Shareholders, management teams, employees, business partners and customers of the Group for their continued support and contribution to the Group.

By Order of the Board
Infinites Technology International (Cayman) Holding Limited
WANG Le
Chairman

Hong Kong, 28 March 2023

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Wang Le and Mr. Chen Ying, two non-executive Directors namely Mr. Liang Junhua and Mr. Wang Ning and three independent non-executive Directors namely Mr. Leung Ming Shu, Mr. Choi Onward and Mr. Tang Shun Lam.