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## **CRAZY SPORTS GROUP LIMITED**

### **瘋狂體育集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 82)**

#### **2022 ANNUAL RESULTS ANNOUNCEMENT AND PROPOSED ADOPTION OF NEW MEMORANDUM OF ASSOCIATION AND BYE-LAWS**

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2022. These results have been audited by the Group’s auditor, BDO Limited, based on the Hong Kong Standards on Auditing and reviewed by the Audit Committee.

In this announcement, “we” or “our” refers to the Group.

	<b>For the year ended 31 December</b>		
	<b>2022</b>	<b>2021</b>	<b>Changes</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>	<b><i>(%)</i></b>
Revenue	<b>703,455</b>	511,218	37.6
Gross profit	<b>252,462</b>	229,168	10.2
Profit for the year	<b>17,724</b>	143,208	(87.6)
Non-IFRS measures:			
Adjusted profit for the year <sup>(1)</sup>	<b>65,911</b>	82,248	(19.9)
Adjusted EBITDA <sup>(2)</sup>	<b>109,868</b>	113,272	(3.0)

*Notes:*

- (1) Adjusted profit for the year is derived from profit for the year, excluding the impact of share of results of associates and impairment/reversal of impairment of interest in an associate. For details of reconciliation of the Group’s profit for the year to adjusted profit for the year, please refer to the “Financial Review” section below.
- (2) EBITDA is defined as earnings before net interest and other finance costs, taxation, depreciation and amortisation. Adjusted EBITDA excludes the share of results of associates and impairment/reversal of impairment of interest in an associate. For details of reconciliation of the Group’s profit for the year to adjusted EBITDA, please refer to the “Financial Review” section below.

## 2022 ANNUAL RESULTS HIGHLIGHTS

Entering 2022, due to factors in international geopolitical tensions, Russia-Ukraine conflicts and soaring inflation rates, global economic growth was weak. In addition, China had experienced a year of recurring waves of pandemic, resulting in weakening overall domestic consumer confidence. However, the sports industry in China embraced the challenges under such situation, with the support of national policies, sports service industry has developed steadily. Crazy Sports has demonstrated the steady growth capability of its business model in such increasingly challenging operating environment. It focused on expanding its business presence in digital sports entertainment community through investment in R&D, big data, talent resources and strategic partnerships, and has launched a series of diversified and multi-field digital sports entertainment services. In 2022, through its strategies on digital sports, metaverse and e-sports, Crazy Sports strives to attract sports and culture enthusiasts as well as the younger generation to cocreate and participate in the multi-dimensional, real-time and dynamic digital sports entertainment platform. By the end of December 2022, revenue of Crazy Sports increased by 37.6% year-on-year to HK\$703.5 million, the total number of platform users grew by 47.9% year-on-year to 71.10 million, and the monthly active users grew by 98.4% year-on-year to 5.08 million. Crazy Sports has become the leading digital sports entertainment community operator in China.

## BUSINESS REVIEW AND OUTLOOK

- For the year ended 31 December 2022, the Group's revenue grew by 37.6% year-on-year to HK\$703.5 million, while profit for the year was HK\$17.7 million. The decline in profit as compared with 2021 was mainly due to the impact of share of loss of an associate of HK\$15.1 million and impairment loss of interest in an associate of HK\$33.1 million. Adjusted profit for the year reached HK\$65.9 million and adjusted EBITDA reached HK\$109.9 million, showing for the year the core businesses of Crazy Sports were considerably profitable despite the resurgence of pandemic in China and the weakening consumers' confidence.
- The total number of platform users grew by 47.9% from the end of last year to 71.10 million, whilst the monthly active users reached 5.08 million, representing an increase of 98.4% as compared with 2021, and the monthly active users surged by 107.2% in the month of the World Cup. The growth in user base and revenue were attributable to the Group's precise market positioning, actively seizing opportunities in the trillion-worth digital sports entertainment market in China, and successfully upgrading its presence in sports entertainment sector. Crazy Red Insights continued to be the most important growth engine of the Group, thanks to the intense and exciting sports events of the World Cup. The Group officially launched the sports-themed game sector to kick start the World Cup

strategy. Soccer games such as “Ace Soccer” (球場風雲) and “Soccer Manager” (夢幻足球世界) released World Cup expansion packs, and became the signature products highly recommended by Apple, Android and different channels during the World Cup. At the same time, Crazy Sports partnered with well-known games publishing platforms in co-publishing games business in China. With the advantageous access to promotion resources from the sale channels, the Group achieved a revenue growth of co-publishing games business. In 2022, the Group has chosen sports and games as its entry point, leveraging its long standing digital experience and advantages, sought to build up a metaverse platform that enjoys the synergy of “content + ecology + technology”. Qiankun Digital Collectibles, the newly launched digital collectibles platform, has successfully attracted sizeable user population, provided a new supply of users for our existing sports entertainment community.

- Leveraging its outstanding digital innovation and R&D capabilities, the Group actively pursued various smart upgrades for its products through the research and development of big data processing system and AI technology. In 2022, Crazy Red Insights continued to upgrade its Red Insights’ AI big data model, providing users with multiple characteristic game analysis products for soccer and basketball games. Qiankun Digital Collectibles, a self-developed digital collectibles platform based on blockchain technology, was launched in April 2022. The platform relies on premium IP strategy to offer its users with richer online cultural experience and distribution of themed digital collectibles, Qiankun Digital Collectibles contributes to empower the real economy. For the premium sports games sector, Crazy Sports is committed to developing and introducing high-quality game engines to create sports games in popular science. The soccer game features instant battle function launched by Crazy Sports and developed on a leading 3D game engine which brings players a smooth game control experience through the R&D of technical advantages such as combining animation blending, dynamic FK/IK technology, position and space AI algorithm for human-ball separation technology, animation editing and motion capture.

## **CORE STRATEGIES**

As a leading digital sports entertainment community operator and a leading enterprise in the internet sports industry in China, the Group adheres to the nation’s strategy to become a sports powerhouse and to deeply cultivate into the trillion-worth digital sports entertainment industry racetrack. Leveraging its unique massive sports users and sports games database, utilising big data, artificial intelligence and blockchain technology to empower traditional sports events, Crazy Sports has established the “Crazy Red Insights + Lottery Sales, Events + Quizzes, IP + Games” as its core pathway to materialise its digital sports strategy. Meanwhile, the Group launched its metaverse games and digital collectibles platform in 2022, with a view to bring about richer online sports and entertainment cultural experience to users. The Group’s digital sports, metaverse and e-sports strategies are closely connected to the national policies of building a leading sports nation and of promoting national copyright innovation. Adhering to the mission of “Let Sports Create Happiness”, we are committed to serving users with a multi-dimensional, innovative and premium IP-based digital entertainment platform, providing users with unique sports entertainment consumer services.

## CHAIRMAN'S STATEMENT

Dear Shareholders,

First of all, thank you for your continued interest and support to Crazy Sports Group!

Sports is an upward-trending industry filled with hope. In a future which artificial intelligence is taking an increasing role, it is known that human is always the creator and user of new technologies. With the development of science and technology, the human well-being will undergo substantial change, intellectual and physical development will always have equal importance to one's well-being. In the future society, although the number of physical labour will be relatively reduced, we expect the demand for physical wellness to remain. During the COVID-19 pandemic, in order to stay healthy as well as adapting to the high-speed high-intensity working requirements, people is re-defining the concept of wellness with new methods of participation. As we continue to progress in time, the development of sports will also be greatly influenced. The popularisation and development of sports will have an expanding role in every regions of the world, there will be an increasing recognition of the unique and social values of sports, the extent to which sports penetrates in the whole society will be to a very surprising degree. No matter what kind and how, people will eventually participate in sports to varying degrees, and sports will become a necessity for all, a mediating activity that can create values on one's physical fitness and spiritual life.

I always believe Crazy Sports Group is a company worth of your attention and support. The value of China's sports industry has exceeded RMB3 trillion and is now on its path to RMB5 trillion, and we believe the industry development presents tremendous opportunities to Crazy Sports Group in the following three ways:

1. Sports development will be promoted in every ways, mainly focusing on two different applications: competitive sports and events, as well as sports for fitness and leisure purpose. It strives to drive the upgrade and transformation of the traditional sports manufacturing industry; raise the quality and efficiency of the sports servicing industry; develop market-oriented solutions for the sports industry; establish reliable supply chains for sports; and support the development of multi-layered sports events; and develop sports according to each region's niche, in order to maximise synergies and create differentiation among regions.

2. There will be acceleration in the deep integration between sports and its related industries. These include the development of outdoor sports as a collaborating attempt between the sports and tourism industries; the deep integration between national fitness and national health, in the form of building community sports and health centres as a collaborating attempt between the sports and health industries; and by enhancing the well-being of younger generations, the deep integration of sports and education remains as a political mission and key transformation that must be completed by the sports and education industries.
3. Digital transformation will create new modes of consumption in sports. Data will become the driving force behind the development of new formats of digital sports and technological innovation. Sports will no longer be restricted to any physical venues. Instead, it will become an online-offline model combining “new physical space + online social and leisure participation + sports and leisure virtual participation”, generating stronger sense of experience and technology for users, while creating new consumption needs.

Looking ahead, I also believe Crazy Sports Group has explosive growth potentials. It is because:

2022 was a year that the excellent team of Crazy Sports Group made every effort to weather through the impact of COVID-19, compounded with major changes unseen in a century. Yet, thanks to the highly efficient and coordinated prevention and control effort from the Central government and our early planning and strategic layout in the digital sports industry. During the year, the team has overcome the trial, we should recognise their achievement of good results against adversity in the year.

In 2023, Crazy Sports Group will embrace new industry development, and will further expand its strategic presence across the digital sports entertainment arena, in a bid to build a digital sports entertainment platform that would greatly enhance our data capability, which will become our core competitive advantage, that can be used to empower the traditional sports industry, along with big data, AI, blockchain and other technologies.

In 2023, Crazy Sports Group will also continue to expand its business in various directions, including sports lottery, sports events digital empowerment, sports game development, sports and education integration, and sports artificial intelligence. At the same time, the Group will strengthen its technological research and development to improve product innovation. The Group will also leverage its growing big data capability to improve user experience, further consolidating its leading position in the digital sports industry.

Our operation and management team remains full of confidence for 2023. Supported by our unwavering commitment, established strategic layout, growing database, and proactively capturing market opportunities, we will realise our common aspirations. Crazy Sports Group will be stronger and create fruitful returns for our Shareholders.

In conclusion, Crazy Sports Group is a valuable enterprise that is perfectly-positioned to capture the need of human development and progression. We have entered the global sports industry which has a huge total accessible market, at a unique angle and at the right timing; we are destined for strong growth in the post-pandemic era with our big data accumulation and extensive operational experience led by the team.

At this moment, I believe everyone is as excited as I am. I, together with all members of the Board, would like to extend our gratitude once again to all of our Shareholders, as well as all other stakeholders and greater communities, for your trust and support.

Let's work hard and forge ahead, and achieve greater heights together in 2023!

**Dr. Zhang Lijun**

*Chairman*

30 March 2023

## MANAGEMENT DISCUSSION AND ANALYSIS

### CORE BUSINESS REVIEW

#### **Paid Sports Information Platform — Crazy Red Insights APP**

*By capturing the opportunity of large-scale sports events, the Group successfully expanded its user base and continued its high revenue growth trend*

Year 2022 successfully completed, and the sports industry had staged “speed and passion” during the Qatar World Cup which was taken place at the end of the year. It was estimated that more than 5 billion people worldwide watched World Cup tournaments. The total number of onsite audiences for the 64 matches exceeded 3.40 million, with an average of 53,000 onsite audiences per match. The accumulated sales of World Cup quiz lottery tickets during the World Cup reached RMB58.82 billion in China, which has raised RMB12.35 billion of lottery welfare funds for the country, representing an increase of RMB3.77 billion or 43.9% when compared to 2018 World Cup. Enthusiasm in sports lottery hit a new high, driving the scale of the Group’s paid sports information platform — Crazy Red Insights platform to reach a new level.

The number of users and revenue of Crazy Red Insights APP during the World Cup both reached record high, and the number of monthly active users during the World Cup was 3.22 million, representing a growth of 43.5% as compared to that of UEFA Euro in 2021. The number of individual visitors of the webpage terminal of China Soccer Lottery (中國足彩網) and H5 of Crazy Red Insights was 15.51 million during the World Cup, representing a growth of 69.2% as compared to that of UEFA Euro in 2021. After the World Cup, benefiting from the continuation of European mainstream football leagues and basketball events, we expect traffic bonus will continue to increase in the future. Crazy Red Insights App has undergone five rounds of version upgrade in 2022, resulting in further optimisation in product functions, big data applications and user experience. Apart from the China market, as one of the strategic products for the 2022 Qatar World Cup, Crazy Red Insights was keen to capture the opportunity, and therefore released the overseas version to catalyse its popularity and influence in the industry and its popularity, thereby bringing greater possibilities for future user growth. Paid sports information platform recorded revenue of HK\$202.8 million in 2022, increase of 54.5% as compared with 2021.



### ***Payment rate and user life cycle ramp up by enhancing user experience and satisfaction***

In terms of user services, Crazy Red Insights optimised the functions for expert subscription and package cards, focused on upgrading the service contents which significantly improved users' experience, increased sales of World Cup related products, as well as diversified its product business development. Meanwhile, Crazy Red Insights had major upgrade on package services, including specific VIP customers segmentation with higher quality content and data services. It also enhanced the strategy for repeated purchases of VIP customers such as more services for gold exclusive membership, thereby achieved improvements in overall business revenue.

Driven by the enthusiasm towards the World Cup tournaments, Crazy Red Insights opened up online and offline full-chain promotion links such as interactive games, gift cards, and sports lottery, allowing Crazy Red Insights to voice ideas throughout the entire publicity period during the Qatar World Cup, which in turn attracted maximum traffic. During the World Cup, Crazy Red Insights signed contracts with well-known football commentators, national football team players, sports lottery trainers, Qatar World Cup frontline reporters, internet celebrities, virtual human, and others, to form a strong lineup of World Cup match analysis experts. Such expert group provided users with event analysis content, including real-time reports and breaking news on Qatar World Cup matches, from different perspectives tailored to user preferences.

During the World Cup, about 70% of users chose to watch the matches through mobile phones. Users gradually inclined to use mobile devices, and they were more willing to participate in reviews and discussions while watching matches. Among those users, soccer fans had the highest level of interaction and participation, they were more willing to give comments while watching real-time matches as well as participate in discussions on World Cup matches before and after matches. In response to this, Crazy Red Insights has built an interactive community for lottery users before the World Cup. It explored the needs of communication and sharing which appeals to users, increased their activities and retention rate as well as attracted new World Cup users through the contents produced by the 200 million registered users of China Soccer Lottery, striving to create China's largest competitive and interactive platform for lottery users via multiple networks.

Benefiting from the effective upgrade in user experience, the registration activation rate of Crazy Red Insights exceeded 50% in 2022 during the World Cup, users' payment conversion rate increased by approximately 60% as compared with last year, and the life cycle of major customers increased to over 600 days.

***Smart upgrade of product functions covering a wider range of sports users thereby expanded the revenue stream and brand influence***

In terms of product functions, “Red Insights Model” (紅單模型) was further upgraded with its core on real-time dynamic data and event information, and “Big Head Index” (大頭指數) was favoured by users since its initial launch into the market. Moreover, basketball data model functions were newly added to solve the pain points that basketball users face. After its products upgrade, the platform currently comprises several AI algorithms, including “Red Insights Model”, “Tips on Tournament” (賽事錦囊), “Model Analysis” (模型分析) and “Big Data” (大數據), which serve the APP’s users end. The event analysis content provided by Crazy Red Insights was multi-faceted and multi-dimensional. It had both text content and short-video match analysis, and various experts had multi-level interaction with users through live broadcasts, providing users with multiple types of paid content.

Leveraging its strong capability in digital technology, Crazy Red Insights joined hands with “Avatar Mulan” (虛擬人沐嵐) during the World Cup and established an integrated crossover with an avatar, one of the three key elements of the metaverse. The collaboration intends to create new consumption behaviors in the field of paid sports information, and to develop a new and ground-breaking benchmark for the industry to foster innovation in the paid sports information industry. During the World Cup, “Avatar Mulan” created 70%+ hit rate and an outstanding record of winning 9 consecutive games in the World Cup. The interaction with users through video+live broadcast, thereby greatly enriched user experience, drew the attention of young people and sports fans, and achieved sales conversion and user retention.

The R&D of Crazy Red Insights’ big data has also attracted attention from the industry peers. On 1 June 2022, PricewaterhouseCoopers announced the list of winners of “Sports Science and Tech Award” (體育風雲科技獎), 15 domestic and overseas products/scientific and technology achievements were nominated. Crazy Red Insights was ranked as one of the top three in the Sports Commerce (Mass) Category. On Crazy Red Insights, the panel highlighted that “by leveraging technology such as AI and big data, it allows people to participate sports in a smart, scientific and convenient way”.

## ***Partnership matrix was strengthened with deeper collaboration during the World Cup***

During the year, apart from strengthening the existing cooperation channels, Crazy Red Insights, leveraging enthusiasm towards the World Cup tournaments, continued to broaden its channel coverage by entering into contracts with new channels, including Shenzhou Link (神州通聯), XCar (愛卡汽車) and Haters (黑特籃球) that serves Hong Kong and Taiwan users, with a view to expand traffic flow. Meanwhile, it embarked on an in-depth collaboration with CCTV (央視網) which has broadcast rights of World Cup matches, and kball (K球) which has broadcast rights of Japan and Korea football leagues; of which, CCTV, having Qatar World Cup's exclusive TV and new media broadcast and distribution licensing rights in China, attracted massive users. Since the start of the World Cup, all sorts of data from sports user terminals of CCTV continued to rise, over 120 million views were recorded for a total of 64 matches, and such high traffic flow had also brought extremely high attention and brand exposure to Crazy Red Insights.

In addition to traditional channels, during the World Cup, Crazy Red Insights also grasped the window of traffic flow in the era of short videos by signing contracts to build the Crazy Red Insights MCN matrix with experts as well as cooperated with Kuaishou (快手) to provide paid sports information content on Kuaishou platform. In Kuaishou, the MCN matrix of Crazy Red Insights gathered a World Cup prediction team comprising a thousand experts to provide users with short videos that included accurate prediction and professional analysis. In addition to the daily free pre-match analysis, users can gain access to paid content pages and obtain professional recommendations and data by clicking on the expert video links of Crazy Red Insights' MCN matrix.

## **Sports Social Interactive Platform — Crazy Sports APP**

### ***Optimising core contents of live sportscast to promote payment conversion rate***

The Qatar World Cup was undoubtedly a carnival fiesta for live sports fans. During 2022, Crazy Sports APP, as a sports social interaction platform, selected popular professional live streamers, strengthened the interaction between live broadcasts, and provided customised marketing services for new and existing users respectively. For the Qatar World Cup, Crazy Sports has signed well-known journalists, sports events anchors, on-camera correspondents to set up both free and pay-to-watch live broadcast channels. On those channels, live streamers provided users with content and services such as sports analysis, short news reports, in-depth score analysis, and interactive entertainment. At the same time, on those live broadcast channels, users can raise questions and give rewards to their favorite live streamers; the live streamers can simultaneously promote personal recommendation plans or recommendation plans of platform experts. Users can earn credits by purchasing paid contents and recommendation plans, and use the credits to participate in fun quiz games. The interaction between live streamers and users has been greatly improved,

effectively enhancing user loyalty, user retention, and at the same time increasing the conversion of continuous spending in live streaming channels. Eventually, the sports social interactive platform recorded revenue of HK\$93.2 million for the year, representing an increase of 9.2% as compared with 2021.

Moreover, Crazy Sports will continue to add comprehensive sports contents such as pool and Go games to bring users a richer experience and stable traffic support for other business lines.

## **Sports Events and Interactive Quizzing Platform — Fantasy Sports Events APP**

### ***Continue to empower local sports events and bring refreshing experience for quiz challengers***

Fantasy Sports Events Platform continued to improve product functions in 2022. It contracted with Nie Weiping Go Academy (聶衛平圍棋道場) to provide a large number of Go games for the platform. Ice-snow themed entertaining quizzing games was launched during the Winter Olympics at the beginning of the year, while the World Cup themed entertaining quizzing games was launched at the platform during the Qatar World Cup, which attracted target users through the chart-topping sports events and promoted the conversion of users in an effective manner. In 2022, the popularity of local sports events in the PRC was affected by the recurring waves of the pandemic. We believe that under the effective stimulation arising from the full relaxation of prevention and control of the pandemic and the resumption of various offline events, Fantasy Sports Events Platform is expected to experience rapid growth in 2023 through the early layout and full preparation for the business.

## **Sports Lottery Retail Services**

### ***Refined operational strategies under the pandemic and improved cost efficiency***

During 2022, offline physical retail outlets had been adversely affected by the recurring pandemic across the country. Under such environment, Crazy Sports has adopted a refined operation and management model regionally and to explore new sources of sales growth. In order to mitigate the adverse impact brought by the pandemic, the Company made corresponding adjustments in respect of operational strategies, mainly focus on extending into new types of businesses, expanding into small and micro retail channels, refined store operation, adopted cost reduction and efficiency improvement of overall business; as a result, the operation efficiency of certain new sports lottery retail stores was improved in various regions. In the end, revenue generated from the sports lottery retail services for the year was HK\$18.3 million, representing a decrease of 40.8% as compared with 2021.

In 2022, we entered into newly contracted sales channels which included the sports lottery administrative centres in Inner Mongolia Autonomous Region, and Qingdao City and Jinan City of Shandong Province. As at the end of December 2022, Crazy Sports was licensed to carry out the sports lottery new retail business in a total of 20 provinces and municipalities nationwide. In addition, Crazy Sports expanded into new businesses which included the operation and management of instant lottery tickets in regional and municipal sports lottery centres, the operation and maintenance of franchised convenience stores in provincial and municipal sports lottery centres, as well as the promotion of instant lottery tickets in live broadcasting. Through in-depth deployment of the sports lottery industry and full cooperation with local sports lottery authorities, we have laid a solid foundation for the long-term development of the sports lottery business. Small and micro chained retail stores under the sports lottery new retail business have been expanded mainly with JD convenience stores; currently, the retail point of sales covered Beijing, Tianjin, Hubei, Shandong and other regions.

During the World Cup, Crazy Sports cooperated with Anhui Lawson to launch a marketing campaign with the theme of “World Cup — Get Your Lucky Lottery”, during which users received sports lottery tickets for free by participating in interactive games themed with the World Cup based on the ranking of the games. The total number of users participating in such event exceeded 80,000, effectively promoting the development of local sports lottery sales business. In addition, Crazy Sports has expanded its channels to cater for younger generation and cooperated with designated coffee shops to initiate a business model of “coffee + lottery tickets” during the year, where consumers can receive a lottery ticket with a face value of RMB5 after buying drinks at a designated coffee shop. Crazy Sports actively pursued cross-sector collaborations between the lottery industry and other industries as well as expanded the consumption scene of lottery purchases, and we have become an important partner in new channel expansion of sports lottery administrative centres.

## Sports and Leisure Gaming Business

### *Focusing on core soccer mobile games by the release of new games and large-scale expansion pack updates to take advantage of the momentum of the World Cup*

In 2022, the gaming business of Crazy Sports was riding on the momentum of Qatar World Cup and achieved new development. As to the strategies for the World Cup, soccer games such as “Ace Soccer” and “Soccer Manager” released World Cup expansion packs, among which, “Ace Soccer” became the signature product highly recommended by Apple, Android and different channels during the World Cup. In addition, a number of products, such as “Realtime CSL” (實況中超), “All Star Football” (全明星足球), all had their updates completed in 2022, bringing new game contents to a broad base of users. Eventually sports and leisure gaming business recorded revenue of HK\$359.7 million for the year, representing an increase of 36.5% as compared with 2021.

“Ace Soccer”, a soccer e-sports mobile game officially licensed by Fédération Internationale des Associations de Footballeurs Professionnels (FIFPro), has been updated with eight expansion packs including “Dota Summit System and Winners Team Pack” (巔峰聯賽系統及世界最佳陣容版本), “Awakening Stars System and Anniversary Edition” (球員覺醒系統及周年慶大版本), “3D Soccer Jersey System and Game Props Blind Box Edition” (3D虛擬球衣系統及道具盲盒版本), “AFK Dispatch System and Handle Compatible Pack” (掛機派遣系統及支持手柄版本), “New Season Expansion Pack 2022” (2022新賽季大版本資料片), “Summit Cross Server Play Edition” (巔峰賽跨服戰版本), “Qatar Expansion Pack” (燃情卡塔爾大版本資料片), “Ace Soccer Regional Server Special Edition” (風雲服全新大區特別版本). Qiankun Digital Collectibles platform co-launched digital collectible card packs of “Ace Soccer”, showcasing gameplay innovation in the sports game industry through the interactive gameplay of gifting digital collectibles. In 2022, “Ace Soccer” won the “Most Popular APP Award of the Year” as selected by niaogebiji.com; the “Blackstone Award for the Most Popular Card Game of the Year”, which is highly acclaimed as the Oscar in China’s game industry, and was selected by Mobile Hardcore Alliance, comprised of Huawei, OPPO and VIVO, among others.

During the World Cup, “Soccer Manager”, a soccer manager game officially published by Crazy Sports, made its official release of World Cup expansion packs. Various game rubrics themed with the World Cup were incorporated in the game. World Cup exclusive gift packs were also launched with a new 3D stadium supported with a multi-angle rotation of the stadium, and the booster function and custom colour settings for the stadium were newly configured in the game rubrics, fancied by a number of players. At the same time, “Dream Soccer” (夢想足球), a CSL themed soccer mobile game, was officially launched. “Dream Soccer” is an official mobile game. It is a soccer card game consists of three characteristics of characters swapping, characters raising and instant battles. “Dream Soccer” not only contains plentiful gameplays such as e-sports leagues, challenge games and summit games, but also includes two core game modes of “card-based game”

and “regional competition”. The “card-based game” allows players to have the personalised skill system by adding skills to the players’ cards, the soccer battle will thus be full of endless possibilities. The “regional competition” allows players to fight for their hometown team, as well as check the heat rankings of their hometown teams in the regional competition across the country at any time. The game aims to create an interactive game platform connecting CSL, CSL clubs and soccer fans to get more young people familiarised with soccer culture, lighting up the dream and boosting the rise of Chinese soccer together.

***Launching a variety of premium games to expand game genres, enrich game matrix and enhance the competitiveness of the gaming business***

In 2022, Crazy Sports newly launched a variety of premium mobile games including the ice-snow themed “Dream Ski” (夢幻滑雪), the racing themed “Snow Mountain Drift” (雪山漂移) and the mythology themed “Genesis: Anthem of Deities” (太初行). Besides, closed beta test on “Tank of Kings” (王者坦克), a military-based card battle mobile game, was commenced in the fourth quarter of 2022 with positive reviews from a broad base of players, and was planned to be officially launched in the first quarter of 2023.

On 4 February 2022, when global spotlight was on the Winter Olympics, “Dream Ski”, the first ice-snow themed game, made its official debut. It was selected as a recommended winter sports-themed game by Today at Apple. Through the publishing of the ice-snow themed mobile games, Crazy Sports has created the theme of ice world along the path of popular science games, migrating into diversified online sports scenarios, whereby, users can experience the endless charm brought about by sports games, while sports events along the offline channels are promoted as well.

On 30 June 2022, Crazy Sports officially launched its first new mythology-themed card-based game, “Genesis: Anthem of Deities”, in Android APP stores. “Genesis: Anthem of Deities” is a strategic card-based game, featured with ancient mythology of traditional Chinese culture. Players begin their legendary journey through conjuring with human, demon, as well as Buddhist and Taoist deities and practitioners.

On 26 September 2022, “Snow Mountain Drift”, a car racing game, was launched at the Apple APP Store and listed on the premium all-time recommendation of the “Best iPhone Games” (近期人氣手遊), “Best Games of All Time” (隨時隨地來一局), “Top iPhone Action Games” (人氣動作手遊), “Racing Games” (跑酷競速) by Apple. At present, the game has long been at the top of sports classification list. An original 3D physics engine (HD) used in “Snow Mountain Drift” mobile game is able to demonstrate linear acceleration and surreal racing experience of car bumping by improving the virtual simulation of the physical environment.

On 14 December 2022, a closed beta test on “Tank of Kings”, Crazy Sports’ first military strategy mobile game, was commenced. “Tank of Kings” is a battle-based card placement mobile game with outdoor scene of tanks, where players can have a variety of tanks from different countries. The tanks in the game are exceptionally similar to the mainstream tanks in wartime, which are supported by personalised upgrades for enhancement and free to trade for advanced tanks, allowing players to experience the great charm of steel torrent in person on the scene.

### ***Contracted with Meizu, Netease and 4399 to launch co-publishing games***

In 2022, Crazy Sports joined force with game R&D and distribution partners to co-publish games through continuous improvement of platform publishing capabilities. It signed contracts with Meizu, Netease and 4399 to launch the games co-publishing business. Leveraging Crazy Sports’ long years of competitive edge in platforms publishing and channelled sales as well as premium games selected at Meizu, Netease and 4399 games platforms, the Group achieved a revenue growth of co-publishing games business. In addition, through the influence and commercial value of premium game IPs, the monetisation capability of the Group’s game publishing business was further enhanced. They also helped continuously expand the player base of Crazy Sports and create a more enriched and excellent gaming experience for players.

### **Digital Collectibles Platform and Other Digital Sports Entertainment Business**

#### ***A new launch of a digital collectibles platform, a gateway to metaverse***

In April 2022, Qiankun Digital Collectibles, a digital collectibles platform developed by Crazy Sports, was officially launched. As a major platform of the Group in the strategic deployment of metaverse, Qiankun Digital Collectibles has quickly become a celebrity product within the industry because of its excellent IPs, high-quality 3D digital collectibles, and trustworthy reputation arising from its blockchain technology and platform. Through working together with official institutions such as Art Exhibitions China, China Painting Academy and China Space Museum, Qiankun Digital Collectibles released “Old Summer Palace Series” (圓明園系列), “China Aerospace Series” (中國航天系列), “Dunhuang Series” (敦煌系列), “Forbidden City’s Shiqu Baoji Series” (故宮石渠寶笈系列), and “Digital Virtual Human Series” (數字虛擬人系列) and other excellent, classic and rare digital collectibles.



As a platform dedicated to promoting traditional culture, recording historical moments and keeping beautiful memories, Qiankun Digital Collectibles is paving its way to metaverse by demonstrating its premium IP digital collectibles as metaverse derivatives. The digital economy, which involves the use of advanced technologies such as blockchain and artificial intelligence, contributes to empower the real economy. Through the strategies of promoting Chinese culture, tell-tale Chinese stories, supporting the nation’s strategy as a cultural powerhouse together with sustained effort to lead technological innovation, Crazy Sports plays a part to boost China’s cultural influence.

The exploration of Crazy Sports in the metaverse and digital collectibles business creates consumption behaviours of younger generation, which leads the industries together to explore the industrial path and innovation form of “digital+”, aiming at empowering the economic ecology with digital technology, upgrading the marketing model with digital collectibles, and giving birth to new ways of game rubrics, new models and new business types through the integration and innovation between digital collectibles and cross-industry consumption.

### ***Deepening the layout and boosting the expansion of digital sports entertainment business***

Based on the underlying blockchain of Crazy Sports’ own IP rights, “Qiankun Treasure” (乾坤寶庫) was launched in 2022. “Qiankun Treasure” is created to explore new forms of digital collectibles so as to allow every user to find anything in any form he or she likes and loves in the digital world, and to create a personalised business model with flexible “Customised Contract”. Apart from its self-developed digital collectibles platform, Crazy Sports seeks to explore creative game rubrics with metaverse. In early 2022, “Crazy Soccer”, a metaverse soccer mobile game, was officially launched worldwide on the Roblox platform. “Crazy Soccer” is the first metaverse game for mobile device developed in China.

Crazy Sports strives to adhere to metaverse strategy for long-term purpose and actively commanding new heights in the metaverse sector. It took the lead in establishing the National-Level Digital Art Copyright Trading Platform (國家級數字文創版權交易平台) with the Northern National Copyright Exchange Centre (北方國家版權交易中心) which has a state-owned background. The platform is currently the first national-level and qualified trading platform for digital assets officially launched in China equipped with copyright trading and financial licensing qualifications. It is also one of the major projects of Liaoning Cultural Industry Investment and Promotion Fair (遼寧文化產業招商推薦會) in the 18th China (Shenzhen) International Cultural Industry Fair.

The “National-Level Digital Art Copyright Trading Platform” aims to establish royalties for creators by carrying out the listing and trading of copyrights and IP trading products in multiple forms including text, pictures and digital copyrights, and thereby build an innovative model of combining copyrights and finance; through the construction of a trading system, resource gathering of copyrights and IP rights, development of an evaluation system, integration with a financial service system, the planning of IP trading products, and online trading of patents and trademarks.

## **Business Outlook**

The Beijing Winter Olympics had realised the goal of getting “300 million Chinese to participate in winter sports”, and a record high revenue was generated during the Qatar World Cup, showing the development of sports has not been dampened by the pandemic. Crazy Sports Group has been in a dominant position due to a series of early preparations; with a large number of new users gained during the World Cup, its revenue and user base reached a new height. Owing to the optimisation of pandemic prevention and control policies and the recovery of the market economy, the sports industry is inevitably bursting into life. In early 2023, we have witnessed a bright start of ten thousand marathon runners and the Chinese women’s football team going global and prepared for the World Cup, as well as preparations currently undergoing by the Hangzhou Asian Games, the FIBA Women’s Asian Cup, the FIBA Basketball World Cup and the Chengdu FISU World University Games, spawning a prosperous sports industry. In line with the current trend, Crazy Sports Group will strive to expand in the sports field as planned, improve its quality and efficiency, make steady progress, contribute to the recent development of China’s economy, and generate satisfactory returns for shareholders.

Looking to 2023, we will continue to expand our business in multiple directions including sports lottery, digital empowerment of sports events, publishing of sports games, integration of sports and education, and sports metaverse. Meanwhile, we will strengthen the R&D and integration of advanced technologies such as 5G network, metaverse, Web 3.0, AR/VR, blockchain and AIGC to enhance product innovation and improve user services, further consolidating our leading position in the digital sports industry. Specifically for the online paid sports information, we will further improve user experience, enhance user interaction and social networking, and provide high-quality services by introducing advanced data analysis and artificial intelligence technology. For the sports games, we will continue to explore more genres and gameplay, product innovation, so as to increase user engagement and retention. We will continue to tap into the potential of empowering digital sports events, enhancing the enjoyment and entertainment of sports events, and promoting the digital transformation of sports events. For the integration of sports and education, we will develop a more intelligent and characterised platform for sports education by deploying our technological advantages, in order to assist the schools in improving the quality of sports education and enhancing the physical fitness of students. For the sports metaverse, we will strengthen our technological R&D and content innovation to create a more authentic and immersive experience of virtual sports events to meet users needs in terms of entertainment.

## FINANCIAL REVIEW

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<b>703,455</b>	511,218
Cost of revenue	<b>(450,993)</b>	(282,050)
	<hr/>	<hr/>
Gross profit	<b>252,462</b>	229,168
Other gains and losses	<b>84,590</b>	42,461
Selling and marketing expenses	<b>(191,497)</b>	(110,513)
Administrative expenses	<b>(58,627)</b>	(80,590)
Expected credit loss on other receivables	<b>(21,583)</b>	–
(Impairment)/reversal of impairment of interest in an associate	<b>(33,098)</b>	42,211
Share of results of associates	<b>(15,089)</b>	18,749
Finance costs	<b>(1,113)</b>	(993)
	<hr/>	<hr/>
Profit before income tax	<b>16,045</b>	140,493
Income tax credit	<b>1,679</b>	2,715
	<hr/>	<hr/>
<b>Profit for the year</b>	<b>17,724</b>	143,208
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## Revenue

The Group's total revenue was contributed by the digital sports entertainment related business. During 2022, the Group's total revenue was approximately HK\$703.5 million, representing an increase of 37.6% as compared to 2021. The Group generated revenue mainly from five areas: (i) paid sports information platform, (ii) sports social interactive platform, (iii) sports and leisure games, (iv) lottery-related commission income, and (v) digital collectibles platform. There are three main drivers for the revenue growth recorded in 2022:

**Increase in user demand** – The total number of platform users grew by 47.9% year-on-year to 71.10 million following the successful user development of the Group. To attract new users and improve retention of existing users, the Group deployed its resources on product innovation and marketing our digital sports entertainment products with higher revenue generating potentials. For Crazy Red Insights, we launched new functions that features multi-dimensional analytic contents and optimised the functions for expert subscription and package cards, which allows more accurate matching of user demand. For sports and leisure games, heavyweight updates have been made to our core gaming products such as “Ace Soccer” and “Soccer Manager”, which improved user satisfaction. Riding on the World Cup fever, we launched several marketing campaigns on our core products which had been successful on surging product publicity, leading to user growth.

**Launching of new products, smart updates and new expansion packs for games and applications** – The Group actively pursued various smart upgrades during 2022 and attracted higher user conversion rate. In 2022, we continued to upgrade our AI big data based “Red Insights model”. Crazy Red Insights joined hands with “Avatar Mulan” during the World Cup, and the interaction with users through video+live broadcast drew the attention of young people and sports fans, and thereby achieved sales conversion and user retention. In 2022, Crazy Sports newly launched four premium mobile games including ice-snow themed “Dream Ski”, the CSL themed “Dream Soccer”, the racing themed “Snow Mountain Drift” and the mythology themed “Genesis: Anthem of Deities”. Riding on the momentum of the World Cup, soccer games such as “Ace Soccer” and “Soccer Manager” released World Cup expansion packs. Besides, Crazy Sports signed contracts with major gaming platforms for co-publishing games, which increase revenue generated from sports and leisure games.

**Introduction of the self-developed digital collectibles platform** – Qiankun Digital Collectibles, the Group's digital collectibles platform, was launched in April 2022. The platform relies on premium IP to offer its users with themed digital collectibles. It successfully gained attention from sports and cultural enthusiasts as well as young and trendy users.

The abovementioned drivers triggered an increase in demand for Crazy Sports' digital sports entertainment products and services. The Group's revenue generated from different product lines is summarised as below:

	2022		2021	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Paid sports information platform	<b>202,817</b>	<b>28.8</b>	131,292	25.7
Sports social interactive platform	<b>93,205</b>	<b>13.3</b>	85,374	16.7
Sports and leisure games	<b>359,716</b>	<b>51.1</b>	263,610	51.5
Lottery-related commission income	<b>18,324</b>	<b>2.6</b>	30,942	6.1
Digital collectibles platform	<b>29,393</b>	<b>4.2</b>	–	–
	<b>703,455</b>	<b>100.0</b>	<b>511,218</b>	<b>100.0</b>

### Cost of revenue and gross profit

Our cost of revenue primarily consists of (i) commissions charged by distribution channels and payment channels, (ii) revenue share to IP holders, (iii) revenue share to key opinion leaders and sports event experts, and (iv) amortisation of intangible assets. Total cost of revenue of the Group increased by 59.9% to approximately HK\$451.0 million during the year as compared to 2021. The growing trend was due to increase in revenue generated from the digital sports entertainment related businesses.

During the year, gross profit of the Group was approximately HK\$252.5 million, representing an increase of 10.2% as compared to 2021; meanwhile, the gross margin decreased to 35.9% in 2022 from 44.8% in 2021. The lowered gross margin was due to an increase in amortisation of intangible assets of 125.1% to approximately HK\$40.7 million during the year as compared to 2021. Besides, commissions charged by distribution channels and payment channels was increased during the World Cup period.

### Other gains and losses

Other gains and losses for the year recorded a gain of HK\$84.6 million. It was mainly attributable to the realised exchange gains from disposal of a subsidiary which amounted to HK\$42.7 million and dividend income from financial assets amounted to HK\$34.1 million.

Other gains and losses for 2021 recorded a gain of HK\$42.5 million was mainly attributable to dividend income of HK\$32.8 million received from financial assets held by the Group, gain on disposal of subsidiaries of HK\$20.4 million and realised gain from strategic investment in NASDAQ financial assets of HK\$6.9 million. This was offset by a fair value loss on financial assets at fair value through profit or loss of HK\$27.3 million in 2021.

The Group recorded expected credit loss on other receivables for the year of HK\$21.6 million (2021: HK\$Nil). It was driven by an increase in provision for other receivables based on the current expected credit loss assessment.

### **Selling and marketing expenses**

Selling and marketing expenses increased by 73.3% to HK\$191.5 million in 2022 from HK\$110.5 million in 2021. Such increase was mainly attributable to an increase in servicing fees for marketing and advertisement of the Group's digital sports applications and games. During 2022, the Group incurred approximately HK\$51.5 million for initial launching campaign of the digital collectibles platform and approximately HK\$71.5 million marketing costs incurred to undertake the Group's World Cup strategies.

### **Administrative expenses**

Administrative expenses decreased by 27.3% to HK\$58.6 million in 2022 from HK\$80.6 million in 2021. The decrease in administrative expenses was a result of cost reallocation and restructuring measures exercised by the Group to improve cost efficiency of corporate expenses. Also, the expenses incurred during 2021 included one off costs for renting of new offices.

### **Impairment/reversal of impairment of interest in an associate**

Impairment loss of HK\$33.1 million was recognised in respect of the Group's interest in BOA in 2022, as compared to a reversal of impairment loss of HK\$42.2 million in 2021. The fair value of BOA was determined with references to an independent valuation as at 31 December 2022 and impairment loss was made primarily due to significant decline in the market value of comparable companies as a result of adverse global market factors including the outbreak of Ukraine-Russia conflicts and collapse of the cryptocurrency exchange FTX. Another reason for impairment being the decline in financial performance of BOA as a result of the decrease in financial advisory revenue. As at 31 December 2022, the carrying amount of our Group's interest in BOA was HK\$24.1 million (2021: HK\$72.3 million).

## **Share of results of associates**

Share of loss of an associate was approximately HK\$15.1 million in 2022 whereas a share of profit of associates of approximately HK\$18.7 million was recorded in 2021. The turnaround from profit to loss shared from associates was due to the decrease in revenue of BOA as demand for financial advisory services significantly declined following the global instability such as the Ukraine-Russia conflicts and collapse of the cryptocurrency exchange FTX.

## **Income tax**

There was a decrease in income tax credit recorded in 2022 as compared to 2021.

## **Profit, adjusted profit and adjusted EBITDA for the year**

As a result of the foregoing, the Group recorded profit of HK\$17.7 million for 2022, as compared to a profit of HK\$143.2 million in 2021. The major reasons for decrease in profit was an impairment loss of interest in BOA of HK\$33.1 million, share of loss of BOA of HK\$15.1 million in 2022, as compared to a reversal of impairment loss of interest in BOA of HK\$42.2 million and share of profit of BOA of HK\$18.9 million recorded in 2021.

Adjusted profit excluding the effect brought by the associate was HK\$65.9 million for 2022, compared with an adjusted profit of HK\$82.2 million for 2021. The decrease in adjusted profit for the year was mainly due to increased amortisation of intangible assets in 2022.

Adjusted EBITDA for the year is HK\$109.9 million, representing a minimal decrease of 3.0% from adjusted EBITDA of HK\$113.3 million recorded in 2021.

## **Reconciliation of Non-HKFRS Measures to the Nearest HKFRS Measures**

We believe that the presentation of non-HKFRS measures facilitate comparisons of operating performance from year to year by eliminating the potential impact of items that our management does not consider to be indicative of our operating performance, such as certain gains and losses from investment in an associate. The use of these non-HKFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, as a substitute for, analysis of, or superior to, our results of operations or financial conditions as reported under HKFRS. In addition, these non-HKFRS financial measures may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies. Our presentation of these non-HKFRS measures should not be construed as an implication that our future results will be unaffected by unusual or non-recurring items.

The following table sets forth the reconciliations of our non-HKFRS financial measures for 2021 and 2022, respectively, to the nearest measures prepared in accordance with HKFRS:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the year	<b>17,724</b>	143,208
Add/(less):		
Share of results of associates <sup>(1)</sup>	<b>15,089</b>	(18,749)
Impairment/(reversal of impairment) of interest in an associate <sup>(1)</sup>	<b>33,098</b>	(42,211)
	<hr/>	<hr/>
<b>Adjusted profit for the year</b>	<b>65,911</b>	82,248
	<hr/> <hr/>	<hr/> <hr/>
<b>Adjusted profit for the year</b>	<b>65,911</b>	82,248
Add/(less):		
Income tax credit	<b>(1,679)</b>	(2,715)
Depreciation of property, plant and equipment	<b>1,262</b>	2,278
Depreciation of right-of-use assets	<b>2,640</b>	5,762
Amortisation of intangible assets	<b>40,740</b>	24,838
Finance costs, net	<b>994</b>	861
	<hr/>	<hr/>
<b>Adjusted EBITDA</b>	<b>109,868</b>	113,272
	<hr/> <hr/>	<hr/> <hr/>

- (1) Share of results of associates and impairment/reversal of impairment of interest in an associate, which are unrelated to our core business and operating performance and subject to market fluctuations or financial performance of the associate which we do not have controlling power, and exclusion of which provides investors with more relevant and useful information to evaluate our performance.



## STRATEGIC INVESTMENTS

As at 31 December 2022, the investment portfolio of the Group amounted to approximately HK\$270.6 million (2021: HK\$406.6 million), which was recorded as financial assets at fair value through profit or loss or through other comprehensive income.

Apart from focusing on the organic growth of its principal businesses, the Group also made strategic investments in order to effectively allocate resources to maximise corporate value and realise the integration of resource advantages through strategic investments. We have developed focused investment strategies, targeting to invest, acquire or form alliances that will either complement our existing businesses or drive innovation initiatives. Through strategic investments, the Group communicated closely with the emerging blockchain information technology, media, sports and entertainment industries to establish opportunities for further collaborations or achieve synergies.

### **Investment in private equity funds**

As at 31 December 2022, the Group has investment in private equity funds amounted to HK\$267.7 million, which accounted for 22.3% of the total assets. The balance comprised of three funds as below:

#### **(a) *China Prosperity Capital Mobile Internet Fund, L.P. (“CPC Fund”)***

In 2015, the Group entered into a limited partnership agreement to subscribe for the limited partnership interests in CPC Fund and injected US\$31,250,000 to the CPC Fund. The CPC fund is an exempted limited partnership registered under the laws of the Cayman Islands, which is principally engaged to achieve long-term capital appreciation primarily through privately negotiated investments in securities and/or equity that operate in mobile internet and technology industries in the Greater China region, in particular the culture and entertainment industry, such as internet literature, dramas and movies, motion pictures, manga and animations, among others. Investing through CPC Fund created synergy merits to the Group as it allows the Group to have business relationship with industry participants. Due to the return received from its successful underlying investments, the Group had received dividend income amounted to HK\$14.6 million from the CPC Fund during the year (2021: HK\$16.7 million). The fair value of the Group’s investment in CPC Fund is HK\$155.4 million as at 31 December 2022 (2021: HK\$226.9 million), with a fair value loss of HK\$71.5 million recognised as other comprehensive income.

**(b) Golden Rock Cayman LP (“Golden Rock Fund”)**

In 2017, the Group entered into a limited partnership agreement to subscribe for the limited partnership interests in Golden Rock Fund and injected US\$2,000,000 to the Golden Rock Fund. Golden Rock Fund is an exempted limited partnership registered under the laws of the Cayman Islands, which principally engaged to achieve long-term capital appreciation primarily through privately-negotiated investments in securities and/or equity that operate in or otherwise derive significant business opportunities from the mobile Internet sector, its related technologies, products and services.

Pursuant to the limited partnership agreement signed on 2017, the term of the Golden Rock Fund will be expired in February 2023. As such, the Golden Rock Fund commenced liquidation and distribution of the remaining investments in November 2022. In November 2022, Shenzhen Zhihui Asset Management Co., Ltd (the “**Vendor**”), which is wholly-owned by the Golden Rock Fund and V1 (China) Investment Co., Ltd (the “**Purchaser**”) which is wholly-owned by the New Rock Capital Fund LP (the “**New Rock Capital Fund**”) entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”), pursuant to which the Vendor agreed to dispose its entire underlying investments to the Purchaser at a consideration of RMB7.0 million (equivalent to HK\$7.9 million). The New Rock Capital Fund agreed and accepted the subscription of additional limited partnership interest in the New Rock Capital Fund by way of contribution in kind of the consideration. Following the transaction, all underlying investments of the Golden Rock Fund had been distributed and the fair value of investment in the Golden Rock Fund is amounted to HK\$Nil as at 31 December 2022, with a fair value loss of HK\$23.9 million was recognised as other comprehensive income.

Due to the return received from the underlying investments, the Group had received dividend income amounted to HK\$19.5 million from the Golden Rock Fund during the year (2021: HK\$6.0 million).

**(c) *New Rock Capital Fund***

In 2020, the Group has entered into a subscription agreement pursuant to which the Group agreed to subscribe for the limited partnership interests in the New Rock Capital Fund at an aggregate subscription amount of US\$11,080,000. During 2022, the Group made further injection of HK\$5.8 million into the New Rock Capital Fund. As at 31 December 2022, the Group invested in aggregate HK\$129.0 million (2021: HK\$115.3 million) into New Rock Capital Fund. In November 2022, the Group injected the entire underlying investment of Golden Rock Fund at a consideration of RMB7.0 million (equivalent to HK\$7.9 million) to the New Rock Capital Fund. New Rock Capital Fund is an exempted limited partnership registered under the laws of the Cayman Islands, which is established to achieve long-term capital appreciation of the investments and telemedia assets held, by leveraging on the external network and the expertise of the general partner. Since its establishment, the New Rock Capital Fund has sustainably developed internet, media and technology business. The fair value of the Group's investment in New Rock Capital Fund was HK\$112.3 million as at 31 December 2022 (2021: HK\$151.7 million), with a fair value loss of HK\$53.1 million recognised as other comprehensive income.

**Investment in BOA**

The Group has invested 45.49% equity interest in BOA, which is established to provide online digital banking services. BOA holds a General Banking License granted under The Banks and Trust Companies Act 1990 of BVI for the purpose of carrying out banking business within and outside the jurisdiction of BVI. BOA is regulated by the authorities of BVI. BOA has a captive market in the offshore corporate sector of which the BVI is the global leader, with over 380,000 companies, with the Cayman Islands following in the second place with 110,000 companies. Today BOA has about 49% of its customers being BVI corporations, and another 19% of its customers being incorporated in other offshore jurisdictions. Hong Kong companies account for approximately 24% of its clientele. The ultimate beneficial owners of BOA's customers come from 90 jurisdictions around the world on all continents. BOA also has a wholly owned subsidiary incorporated in BVI, BOA Investment Services Limited (“**BOAISL**”), which has been granted an Investment Business License by the British Virgin Islands Financial Services Commission. It undertakes advisory mandates and since 2019 has been serving clients in the aerospace, digital assets and mining sectors.

In 2022, BOA's deposit business continued the growth momentum. The loan business had also commenced on a trial basis, but the portfolio size was restricted by the equity level for compliance of the risk assets ratio limit. As market interest rates rose to a higher level during the year, BOA's treasury management deployed the surplus fund in bank placements and investment securities, and earned interest income substantially higher than last year. However, advisory services income generated from BOAISL was severely affected by global instability factors, such as the Ukraine-Russia conflicts and collapse of the cryptocurrency exchange FTX. BOA is still developing its new services line and the recurring income source still contains uncertainties at this stage. During the year, a share of loss of approximately HK\$15.1 million was recorded, whereas a share of profit of approximately HK\$18.9 million was recorded in 2021.

Looking to 2023 and if further capital is available for development, BOA aims to acquire technology solutions to enhance its customer onboarding, customer service, payments and settlement, big data analytics, artificial intelligence and robotic equipped customer service. Besides, BOA will focus on products innovation and creation capabilities, data security, data storage, digital assets production and distribution, and advancement of cutting edge technology to lead the fintech sector.

As at 31 December 2022, there was an impairment of HK\$171.9 million (2021: HK\$138.8 million) of the Group's interest in BOA after referencing to valuation by an independent valuation expert. An impairment loss was recognised during the year since fair value estimated for the interest in BOA decreased due to significant decline in the market value of comparable companies as a result of the adverse market factors for the global economy. Besides, BOA has delivered loss position for the year. The fair value of interest in BOA is below the carrying amount of interest because the business had not attained the operational targets up to the end of this financial year and there are uncertainties in the future income stream.

## LIQUIDITY AND FINANCIAL RESOURCES

The following table sets forth the cash flows of the Group for the period indicated:

	For the year ended	
	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/generated from operating activities	<b>(4,438)</b>	88,000
Net cash used in investing activities	<b>(23,523)</b>	(119,494)
Net cash generated from financing activities	<b>19,293</b>	5,082
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(8,668)</b>	(26,412)
Effect of changes in foreign exchange rate	<b>5,635</b>	(2,414)
<b>Cash and cash equivalents at beginning of year</b>	<b>80,938</b>	109,764
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	<b>77,905</b>	80,938
	<hr/> <hr/>	<hr/> <hr/>

## **Working capital**

The Group had HK\$77.9 million cash and cash equivalents as at 31 December 2022, as compared to a balance of HK\$80.9 million as at 31 December 2021. The Group has sufficient cash resources to satisfy their future working capital and other financing requirements.

## **Net cash used in operating activities**

The Group's net cash used in operating activities amounted to HK\$4.4 million during the year, compared to net cash generated from operating activities of HK\$88.0 million for 2021. The Group derived its cash inflow from operating activities primarily through the receipt of income from digital sports entertainment business. The Group's cash outflow from operating activities primarily comprised payments for costs related to the games and applications, selling and marketing expenses and operating expenses such as staff costs. The decrease in cash generated from operating activities in 2022 were primarily due to an increase in accounts receivable since a significant amount of revenue was generated during the World Cup period which was held near the end of 2022, of which funds will be received in 2023.

## **Net cash used in investing activities**

Net cash used in investing activities was HK\$23.5 million in 2022, as compared to net cash used in investing activities of HK\$119.5 million in 2021. The net cash used in investing activities in 2022 was mainly comprised of acquisition cost of intangible assets amounted to HK\$59.6 million and capital injection in strategic investment of HK\$5.8 million, off-set by dividend income of HK\$42.6 million received.

## **Net cash generated from financing activities**

Net cash generated from financing activities was HK\$19.3 million in 2022 as compared to net cash generated from financing activities of HK\$5.1 million in 2021. The net cash generated was mainly comprised of the repayment of bank borrowings of HK\$11.6 million and increase in bank borrowings of HK\$34.9 million.

## **Capital Structure**

As at 31 December 2022, the Group's total assets amounted to HK\$1,199.6 million (2021: HK\$1,357.6 million) which were substantially financed by shareholders' fund of HK\$813.1 million (2021: HK\$1,052.6 million). The capital of the Group only comprises of ordinary shares.

## **OTHER FINANCIAL INFORMATION**

### **Treasury policy**

The Group have established policies to monitor and control the risks relating to the business operations and treasury activities in order to meet the financial obligations in a timely manner. The Group's treasury policy seeks to govern areas regarding counterparty, interest rate and foreign exchange risks to ensure that the Group has sufficient sources of funding for working capital and investments. As part of our cash management activities, we typically invest our surplus cash in low-risk and/or high investment grade instruments that generate reasonable returns.

### **Material acquisitions and disposals**

Except for the disposal of a subsidiary as disclosed in note 17 to the consolidated financial statements, there was no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2022.

### **Foreign exchange risk**

Since the Group generates most of the revenue and incurs most of the costs in RMB, there was no material foreign exchange risk.

### **Pledge of assets**

Except for the pledge of intangible asset as disclosed in note 18 to the consolidated financial statements, the Group did not have any pledged assets as at 31 December 2022 (2021: Nil).

### **Contingent liabilities**

As at 31 December 2022 and 2021, we did not have any material contingent liabilities.

### **Gearing ratio**

As at 31 December 2022, gearing ratio was approximately 4.2%, which was calculated by dividing the total borrowings by the total equity attributable to owners of the Company.

### **Dividends**

No dividends have been paid or declared by the Group during the years ended 31 December 2022 and 2021.

## FINANCIAL INFORMATION

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	5	703,455	511,218
Cost of revenue		<u>(450,993)</u>	<u>(282,050)</u>
Gross profit		252,462	229,168
Other gains and losses	6	84,590	42,461
Selling and marketing expenses		(191,497)	(110,513)
Administrative expenses		(58,627)	(80,590)
Expected credit loss on other receivables		(21,583)	—
(Impairment)/reversal of impairment of interest in an associate		(33,098)	42,211
Share of results of associates		(15,089)	18,749
Finance costs	7	<u>(1,113)</u>	<u>(993)</u>
Profit before income tax	8	16,045	140,493
Income tax credit	9	<u>1,679</u>	<u>2,715</u>
<b>PROFIT FOR THE YEAR</b>		<b><u>17,724</u></b>	<b><u>143,208</u></b>
<b>Other comprehensive income</b>			
Items that will or may be reclassified to profit or loss:			
— Exchange differences arising on translation of foreign operations		(13,434)	2,709
— Reclassification upon disposal of subsidiaries		<u>(43,711)</u>	<u>18,390</u>
		(57,145)	21,099
Items that will not be reclassified to profit or loss:			
— Exchange differences arising on translation of presentation currency		(52,590)	(13,556)
— Fair value change on financial assets at fair value through other comprehensive income		<u>(148,491)</u>	<u>11,417</u>
Other comprehensive income for the year, net of tax		<u>(258,226)</u>	<u>18,960</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>(240,502)</u></b>	<b><u>162,168</u></b>



	<i>Note</i>	<b>2022</b> <b><i>HK\$'000</i></b>	2021 <i>HK\$'000</i>
<b>PROFIT/(LOSS) FOR THE YEAR</b>			
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>17,758</b>	157,012
Non-controlling interests		<b>(34)</b>	(13,804)
		<u><b>17,724</b></u>	<u>143,208</u>
<b>TOTAL COMPREHENSIVE INCOME</b>			
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>(240,469)</b>	178,733
Non-controlling interests		<b>(33)</b>	(16,565)
		<u><b>(240,502)</b></u>	<u>162,168</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
— Basic (HK cents)	<i>10</i>	<u><b>0.39</b></u>	<u>3.47</u>
— Diluted (HK cents)	<i>10</i>	<u><b>0.39</b></u>	<u>3.45</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

		2022	2021
	Notes	HK\$'000	HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,845	6,629
Goodwill		410,124	444,093
Intangible assets		135,476	126,800
Interest in an associate	11	24,088	72,275
Financial assets at fair value through other comprehensive income		267,729	402,484
Right-of-use assets	16	8,581	6,349
Deferred tax assets		306	331
Prepayments for purchase of intangible assets		9,717	10,522
		<u>857,866</u>	<u>1,069,483</u>
<b>CURRENT ASSETS</b>			
Trade receivables	12	175,576	60,556
Other receivables, deposits and prepayments		83,469	141,303
Financial assets at fair value through profit or loss		2,880	4,118
Amounts due from related companies		682	1,042
Income tax receivables		1,248	174
Cash and cash equivalents		77,905	80,938
		<u>341,760</u>	<u>288,131</u>
<b>TOTAL ASSETS</b>		<u><b>1,199,626</b></u>	<u><b>1,357,614</b></u>

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>13</i>	<b>121,435</b>	72,791
Contract liabilities	<i>14</i>	<b>65,754</b>	55,258
Lease liabilities	<i>15</i>	<b>2,831</b>	3,253
Amounts due to related companies		<b>41,784</b>	42,029
Bank borrowings	<i>15</i>	<b>33,959</b>	12,257
Income tax payable		<b>112,094</b>	112,094
		<hr/> <b>377,857</b> <hr/>	<hr/> 297,682 <hr/>
<b>NET CURRENT LIABILITIES</b>		<hr/> <b>(36,097)</b> <hr/>	<hr/> (9,551) <hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>821,769</b> <hr/>	<hr/> 1,059,932 <hr/>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>1,144</b>	3,762
Lease liabilities	<i>15</i>	<b>5,762</b>	3,556
		<hr/> <b>6,906</b> <hr/>	<hr/> 7,318 <hr/>
<b>NET ASSETS</b>		<hr/> <b>814,863</b> <hr/> <hr/>	<hr/> 1,052,614 <hr/> <hr/>
<b>EQUITY</b>			
Share capital		<b>45,262</b>	45,262
Reserves		<b>767,823</b>	1,007,352
		<hr/> <b>813,085</b> <hr/>	<hr/> 1,052,614 <hr/>
Equity attributable to owners of the Company		<b>813,085</b>	1,052,614
Non-controlling interests		<b>1,778</b>	—
		<hr/> <b>814,863</b> <hr/> <hr/>	<hr/> 1,052,614 <hr/> <hr/>
<b>TOTAL EQUITY</b>		<hr/> <b>814,863</b> <hr/> <hr/>	<hr/> 1,052,614 <hr/> <hr/>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

Crazy Sports Group Limited (the “Company”) is a limited liability company incorporated in Bermuda. Its shares are listed on the Main Board of The Stock Exchange. The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda. Its principal place of business in Hong Kong is located at Suites 3702-3, 37/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (hereafter referred to as the “Group”) are principally engaged in the development and operation of paid sports information platform, sports social interactive platform, digital collectibles platform, operation and publishing of sports and leisure games and provision of sales services of lottery tickets through retail channels in the PRC (the “Digital sports entertainment business”).

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### (a) Adoption of new or amended HKFRSs

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018-2020

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. Except for the above mentioned, the Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period. Impact on the applications of these amended HKFRSs are summarised below.

#### *Amendments to HKAS 16, Proceeds before Intended Use*

The amendments prohibit 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, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The application of the amendments in the current year had no impact on the consolidated financial statements of the Group.

### ***Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract***

The amendments specify that the ‘cost of fulfilling’ of a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can be either incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The application of the amendments in the current year had no impact on the consolidated financial statements of the Group.

### ***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.

The application of the amendments in the current year had no impact on the consolidated financial statements of the Group.

### ***Annual Improvements to HKFRSs 2018-2020***

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments in the current year had no impact on the consolidated financial statements of the Group.

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

The following new or amended HKFRSs, potentially relevant to the Group's 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 Contract <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statements 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction <sup>1</sup>
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024

The Group does not expect the adoption of these amendments will have significant impact on the Group's results and financial position.

### **3. BASIS OF PREPARATION**

#### **(a) Statement of compliance**

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (collectively HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the provisions of the Hong Kong Companies Ordinance, Cap. 622 which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Listing Rules.

#### **(b) Basis of measurement and going concern assumption**

The financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

The consolidated financial statements have been prepared on a going concern basis, assuming that the Group will continue to operate as a going concern, notwithstanding the fact that the Group had net current liabilities of HK\$36,097,000 as at 31 December 2022.

In the opinion of the Directors, the Group is able to maintain itself as a going concern in the coming year by taking into consideration that the other payable balances amounting HK\$37,584,000 and HK\$10,250,000 due to the original shareholder of Easy Prime Developments Limited, a wholly-owned subsidiary of the Company and Dr. Zhang Lijun, the Director of the Company, respectively, they have agreed not to demand for any repayment of the other payable balance due to them until the Group is in a financial position to do so.

Based on the above, the Directors are satisfied that the Group will have sufficient cash resources to satisfy their future working capital and other financing requirements and it is appropriate to prepare these consolidated financial statements on a going concern basis. Accordingly, these consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group fail to continue as a going concern.

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

The functional currency of the Company is Renminbi, while the consolidated financial statements are presented in Hong Kong dollars, which the Directors considered it is more relevant to the users of the financial statements. As the Company is listed on the Main Board of the Stock Exchange, the Directors consider that it will be more appropriate to continuously adopt Hong Kong dollars as the Group’s and the Company’s presentation currency.

## 4. SEGMENT REPORTING

### (a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. The chief operating decision maker has been identified as the executive directors.

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors in order to allocate resources and assess performance of the segment.

For the year ended 31 December 2022, the Group has only one reportable operating segment which is the Digital sports entertainment business. Thus, no operating segments have been aggregated to form the above reportable operating segment.

The Digital sports entertainment business specialised in the development and operation of paid sports information platform, sports social interactive platform, digital collectibles platform, operation and publishing of sports and leisure games and provision of sales services of lottery tickets through retail channels in the PRC.

### (b) Geographical information

During 2022, 100% (2021: 100%) of the Group's revenue is attributable to customers in the PRC and over 90% (2021: over 80%) of the Group's total non-current assets, excluding financial assets at fair value through other comprehensive income and deferred tax assets, are located in the PRC and the remaining non-current assets are located in Hong Kong (2021: Hong Kong).

### (c) Major customers

There were no revenue from individual customers of the Group contributing over 10% of the Group's revenue during the years ended 31 December 2022 and 2021.



## 5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for goods returned and trade discounts, and services fees earned. An analysis of turnover and revenue is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Digital sports entertainment business</b>		
Sports and leisure games	359,716	263,610
Paid sports information platform	202,817	131,292
Sports social interactive platform	93,205	85,374
Digital collectibles platform	29,393	—
Lottery related commission income	18,324	30,942
	<u>703,455</u>	<u>511,218</u>
<b>Timing of revenue recognition</b>		
At a point in time	29,393	—
Transferred over time	674,062	511,218
	<u>703,455</u>	<u>511,218</u>

## 6. OTHER GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net gain on disposal of subsidiaries	42,721	20,397
Dividend income from financial assets at fair value through other comprehensive income	34,104	32,751
Net foreign exchange gains/(losses)	5,220	(2,808)
Government grants	3,192	3,315
Waiver of other payables	1,229	6,618
Gain on modification of lease	239	311
Interest income	119	132
Gain on realisation of financial assets at fair value through profit or loss (“FVTPL”)	—	6,892
Waiver of dividend payable	—	1,331
Dividend income from financial assets at FVTPL	—	448
Gain on disposal of an associate	—	102
Loss on deemed disposal of an associate	—	(91)
Loss on disposal of property, plant and equipment	—	(702)
Fair value loss on financial assets at FVTPL	(1,238)	(27,304)
Loss on written off of property, plant and equipment	(2,526)	(185)
Others, net	1,530	1,254
	<u>84,590</u>	<u>42,461</u>

## 7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on lease liabilities	349	524
Interest on bank borrowings	764	469
	<u>1,113</u>	<u>993</u>

## 8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Staff costs (excluding directors' remuneration)		
— Salaries and wages	19,337	25,058
— Pension fund contributions	3,870	3,851
— Share-based payments	940	653
	<u>24,147</u>	<u>29,562</u>
Depreciation of property, plant and equipment	1,262	2,278
Depreciation of right-of-use assets	2,640	5,762
Impairment/(reversal of impairment) of interest in an associate	33,098	(42,211)
Expected credit loss on other receivables	21,583	—
Amortisation of intangible assets included in		
— Cost of revenue	40,740	18,099
— Administrative expenses	—	6,739
Auditor's remuneration		
— Audit service	1,250	1,300
— Non-audit service	200	200
	<u><u>200</u></u>	<u><u>200</u></u>

## 9. INCOME TAX CREDIT

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
— Hong Kong profits tax for the year	—	—
— PRC enterprise income tax for the year	935	—
	<u>935</u>	<u>—</u>
Deferred taxation		
— Attributable to the reversal of temporary differences	(2,614)	(2,715)
	<u>(2,614)</u>	<u>(2,715)</u>
Income tax credit	<u><u>(1,679)</u></u>	<u><u>(2,715)</u></u>

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits arising in Hong Kong for both years ended 31 December 2022 and 2021. No provision was made for Hong Kong profits tax as the Group had no assessable profits in Hong Kong during the year.

The subsidiaries established in the PRC are subject to enterprise income tax (“EIT”) at tax rates of 25% for both years ended 31 December 2022 and 2021, except:

Beijing Crazy Sports Management Company Limited (北京瘋狂體育產業管理有限公司) which is recognised as a high-technology company according to PRC tax regulations and is entitled to a preferential tax rate of 15% for three years according to relevant existing PRC laws since 2020.

Khorgos Crazy New Game Network Technology Company Limited (“**Khorgos Crazy**”) (霍爾果斯瘋狂新遊網絡科技有限公司), a company incorporated as a limited liability company in Khorgos Special Region, Xinjiang, PRC. Pursuant to the tax exemption document and complied with PRC tax regulations, Khorgos Crazy is exempted from EIT for five years since the year ended 31 December 2017, followed by a 50% reduction in the applicable tax rates for the next five years commencing from the year ended 31 December 2022. Khorgos Crazy is entitled to a preferential tax rate of 12.5% for the year ended 31 December 2022 and exempted from EIT for the year ended 31 December 2021.

Khorgos Keris Network Technology Company Limited (“**Khorgos Keris**”) (霍爾果斯可銳思網絡科技有限公司), a company incorporated as a limited liability company in Khorgos Special Region, Xinjiang, PRC during the year. Pursuant to the tax exemption document and complied with PRC tax regulations, Khorgos Keris is exempted from EIT for five years since the year ended 31 December 2022.

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

### Earnings

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share	<u>17,758</u>	<u>157,012</u>

### Number of shares

	2022 <i>'000</i>	2021 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,526,135	4,521,615
Effect of dilutive potential ordinary shares: — share options	<u>—</u>	<u>33,972</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,526,135</u>	<u>4,555,587</u>

### Earnings per share

	2022 <i>HK Cents</i>	2021 <i>HK Cents</i>
— Basic	<u>0.39</u>	<u>3.47</u>
— Diluted	<u>0.39</u>	<u>3.45</u>

For the year ended 31 December 2022, the computation of diluted earnings per share does not assume the exercise of the outstanding share options as the exercise price of the Company's share options was higher than the average market price for shares.

## 11. INTEREST IN AN ASSOCIATE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Share of net assets other than goodwill	12,810	27,899
Goodwill	183,135	183,135
	<u>195,945</u>	<u>211,034</u>
Less: impairment	(171,857)	(138,759)
	<u>24,088</u>	<u>72,275</u>

Particulars of the Group's associate are as follows:

Name of company	Form of business structure	Place of incorporation and operation	Percentage of ownership interests/voting rights/profit share	Principal activity
BOA	Limited company	British Virgin Islands (the "BVI")	45.49% (2021: 45.49%)	Provision of BVI banking services (note 1)

*Note 1:* BOA is established to provide online digital banking services mainly for BVI companies. During 2018, the Group's subsidiary, Smart Token entered into a subscription agreement (the "Second Subscription Agreement") and completed the subscription of new shares of BOA. Afterward the Group holds 37.53% equity interest in BOA. In 2019, pursuant to the Second Subscription Agreement, BOA undertook to Smart Token that it should commence commercial operation and offer banking business to customers as granted under the approval letter on or before 27 September 2017, failing which Smart Token might require the guarantor to transfer to it for nil consideration such number of shares as would be equal to 10% of the total number of shares of BOA (the "Compensation Shares") in issue immediately after completion of the Second Subscription Agreement. On 17 August 2019, BOA had notified the Company that the British Virgin Islands Financial Services Commission had approved the transfer of the Compensation Shares to Smart Token, and accordingly the Group holds 47.53% equity interest in BOA.

During 2021, the equity interest held by the Group in BOA was diluted from 45.95% to 45.49% due to the issuance of share capital by BOA. The dilution of interest resulted in a deemed disposal of interest in an associate and a loss of HK\$91,000 is recognised. The amount was included in other gains and losses in the Group's consolidated statement of profit or loss and other comprehensive income.

The above associate is accounted for using the equity method in the consolidated financial statements.

## 12. TRADE RECEIVABLES

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 6 months	<b>168,287</b>	23,932
Over 6 months but within 1 year	<b>6,475</b>	36,385
Over 1 year	<b>814</b>	239
	<hr/> <b>175,576</b> <hr/>	<hr/> 60,556 <hr/>

The Group and the Company assessed impairment loss based on the expected credit loss approach. No impairment loss on trade receivables is recognised as the expected credit loss assessed is not material to the financial statements. The Group has a policy granting its customers credit periods normally ranging from 90 to 180 days. The Group does not hold any collateral as security.

### 13. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	31,483	9,754
Deposits received	79	84
Accruals	15,149	9,156
Other payables	74,724	53,797
	<u>121,435</u>	<u>72,791</u>

Included in trade and other payables are trade creditors with the following ageing analysis, based on invoice dates, as of the end of reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 6 months	29,023	8,500
Over 6 months but within 1 year	497	346
Over 1 year but within 2 years	1,217	844
Over 2 years	746	64
	<u>31,483</u>	<u>9,754</u>
Total trade payables	31,483	9,754
Accrued liabilities and other liabilities	89,952	63,037
	<u>121,435</u>	<u>72,791</u>



## 14. CONTRACT LIABILITIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract liabilities arising from games and applications	<u>65,754</u>	<u>55,258</u>
Movements in contract liabilities:		
		<i>HK\$'000</i>
Balance as at 1 January 2021		14,673
Exchange adjustments		1,061
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at beginning of year		(15,033)
Increase in contract liabilities from sales of virtual currency to users of games and applications		<u>54,557</u>
Balance as at 31 December 2021 and 1 January 2022		<b>55,258</b>
Exchange adjustments		<b>(4,620)</b>
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at beginning of year		<b>(52,395)</b>
Increase in contract liabilities from sales of virtual currency to users of games and applications		<u>67,511</u>
Balance as at 31 December 2022		<u><b>65,754</b></u>

## 15. LEASE LIABILITIES AND BANK BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Current liabilities</b>		
Bank borrowings due for repayment within one year	<b>33,959</b>	12,257
Lease liabilities — current portion	<u>2,831</u>	<u>3,253</u>
Lease liabilities and bank borrowings — repayable within one year	<u><b>36,790</b></u>	<u>15,510</u>
<b>Non-current liabilities</b>		
Lease liabilities — non-current portion	<u><b>5,762</b></u>	<u>3,556</u>

The bank borrowings represented the loans below:

- (a) As at 31 December 2022, certain bank loans granted by the Bank of China are secured by certain corporate guarantees and bear interest ranging from 2.85% to 3.73% per annum. The loans are carried at amortised cost. The loans are repayable within one year on 28 February 2023, 30 March 2023 and 29 June 2023.
- (b) As at 31 December 2022, certain bank loans granted by the Bank of Beijing are secured by certain corporate guarantees and bear interest of 3.70% per annum. The loans are carried at amortised cost. The loans are repayable within one year on 29 June 2023.
- (c) As at 31 December 2022, a bank loan granted by the China CITIC Bank is secured by a personal guarantee and bear interest of 3.70% per annum. The loan is carried at amortised cost. The loan is repayable within one year on 21 December 2023.
- (d) As at 31 December 2021, the bank loans granted by the Bank of China were secured by certain corporate guarantees and bore interest ranging from 3.16% to 3.78% per annum. The loans were carried at amortised cost. The loans were repayable within one year on 16 March 2022 and 29 June 2022.
- (e) As at 31 December 2022 and 2021, the fair value of bank borrowings approximates to their carrying amount largely due to the short-term maturities.

#### Lease liabilities

	<b>Properties</b> <i>HK\$'000</i>
<b>At 1 January 2021</b>	22,555
Additions	8,500
Interest expense	524
Lease payments	(5,724)
Modification of lease	(12,342)
Disposal of a subsidiary	(7,139)
Exchange adjustments	435
	<hr/>
<b>At 31 December 2021 and 1 January 2022</b>	6,809
Additions	8,227
Interest expense	349
Lease payments	(3,188)
Modification of lease	(3,250)
Exchange adjustments	(354)
	<hr/>
<b>At 31 December 2022</b>	<b>8,593</b>
	<hr/> <hr/>

Future lease liabilities are payable as follows:

	<b>Minimum lease payments</b> <i>HK\$'000</i>	<b>Interest</b> <i>HK\$'000</i>	<b>Present value</b> <i>HK\$'000</i>
<b>At 31 December 2022</b>			
Not later than one year	3,140	(309)	2,831
Later than one year but not later than five years	6,138	(376)	5,762
	<u>9,278</u>	<u>(685)</u>	<u>8,593</u>
	<b>Minimum lease payments</b> <i>HK\$'000</i>	<b>Interest</b> <i>HK\$'000</i>	<b>Present value</b> <i>HK\$'000</i>
<b>At 31 December 2021</b>			
Not later than one year	3,432	(179)	3,253
Later than one year but not later than five years	3,622	(66)	3,556
	<u>7,054</u>	<u>(245)</u>	<u>6,809</u>

The present value of future lease payments are analysed as:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current liabilities	2,831	3,253
Non-current liabilities	5,762	3,556
	<u>8,593</u>	<u>6,809</u>

## 16. LEASE

### Leases as lessee

The Group leases office properties. The leases typically run for a period of three to five years. Lease payments are renegotiated every three to five years to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

Information about leases for which the Group is a lessee is presented below.

### *Right-of-use assets*

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as right-of-use assets.

	<b>Properties</b> <i>HK\$'000</i>
At 1 January 2021	22,557
Additions	8,500
Depreciation charge for the year	(5,762)
Modification of lease	(12,031)
Disposal of a subsidiary	(7,360)
Exchange adjustments	445
	<hr/>
At 31 December 2021 and 1 January 2022	6,349
Additions	8,227
Depreciation charge for the year	(2,640)
Modification of lease	(3,011)
Exchange adjustments	(344)
	<hr/>
<b>At 31 December 2022</b>	<b>8,581</b>
	<hr/> <hr/>

## 17. DISPOSAL OF SUBSIDIARIES

### Disposal of a subsidiary during the year ended 31 December 2022

#### (a) Disposal of VODone Information Engineering Group Co., Ltd. (“TMD2”)

On 23 June 2022, the Company disposed of the entire equity interest in TMD2 to an independent third party, at consideration of RMB3,100,000 (equivalent to HK\$3,632,000).

The net assets of TMD2 at the date of disposal were as follows:

	<b>23 June 2022</b> <i>HK\$'000</i>
Property, plant and equipment	1,126
Other receivables, deposits and prepayments	13,580
Cash and cash equivalents	796
Trade and other payables	<u>(10,880)</u>
Net assets disposed of	<u><u>4,622</u></u>

The gain arising from the disposal recognised in the consolidated statement of profit or loss and other comprehensive income is calculated as follows:

	<b>23 June 2022</b> <i>HK\$'000</i>
Total consideration	3,632
Less: Net assets disposed of	(4,622)
Add: Realisation of exchange fluctuation reserve	<u>43,711</u>
Gain on disposal of subsidiaries	<u><u>42,721</u></u>

Net cash outflow arising on disposal

	<b>23 June 2022</b> <i>HK\$'000</i>
Total cash consideration	3,632
Cash and cash equivalents disposed of	(796)
Other receivables	<u>(3,632)</u>
	<u><u>(796)</u></u>

**Disposal of subsidiaries during the year ended 31 December 2021 (material disposal of subsidiaries)**

**(b) Disposal of Beijing Cloud Times Digital Technology Co., Ltd. (“Beijing Cloud”)**

On 28 February 2021, the Company disposed of the entire equity interest in Beijing Cloud to an independent third party, at consideration of RMB200,000 (equivalent to HK\$240,000).

The net assets of Beijing Cloud at the date of disposal were as follows:

	28 February 2021 HK\$'000
Property, plant and equipment	439
Right-of-use assets	3,559
Other receivables, deposits and prepayments	3,478
Cash and cash equivalents	142
Trade and other payables	(3,787)
Lease liabilities	(3,407)
	<hr/>
Net assets disposed of	<u>424</u>

The gain arising from the disposal recognised in the consolidated statement of profit or loss and other comprehensive income is calculated as follows:

	28 February 2021 HK\$'000
Total consideration	240
Less: Net assets disposed of	(424)
Add: Realisation of exchange fluctuation reserve	16,909
	<hr/>
Gain on disposal of subsidiaries	<u>16,725</u>

Net cash inflow arising on disposal

	28 February 2021 HK\$'000
Total cash consideration	240
Cash and cash equivalents disposed of	(142)
	<hr/>
	<u>98</u>

**18. PLEDGE OF ASSET**

Save for those disclosed in other parts of this announcement, at 31 December 2022, an intangible asset with carrying amount of HK\$Nil (2021: HK\$Nil) is pledged to corporate guarantees for counter guarantees of certain secured bank loans.

## **OTHER INFORMATION**

### **Employee and Remuneration Policies**

As at 31 December 2022, the Group had a total of 133 employees.

The Group remunerates the employees primarily based on nature of the job, market trend, qualification, years of experience and contributions to the Group. The Group has implemented share option plans. The Group has granted options to the directors, senior management and other employees to encourage them towards enhancing the value of the Group and to promote the long-term growth of the Group.

Furthermore, the Group offers training programs to employees to upgrade their skills and knowledge on a regular basis.

### **Closure of Register of Members**

The register of members of the Company will be closed from Tuesday, 16 May 2023 to Friday, 19 May 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 15 May 2023.

### **Corporate Governance**

The Company is committed to achieving and maintaining statutory and regulatory standards and adhering to good corporate governance in the conduct of its business. The Board believes that good corporate governance is essential in enhancing the confidence of the shareholders, potential investors and business partners and is consistent with the Board's pursuit of value creation for the Shareholders.

The Company had applied and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2022.

## **Model Code for Securities Transactions**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2022.

## **Audit Committee**

The Audit Committee consists of the independent non-executive Directors, namely Ms. LIU Haoming, Mr. ZANG Dongli and Mr. ZHOU Jingping. The Audit Committee has reviewed with management the accounting principles and standards adopted by the Group, and discussed auditing, risk management and internal control and financial reporting matters including the review of the annual 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 and other 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 auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited 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 Limited on the preliminary announcement.

## **Purchase, Redemption or Sale of Listed Securities of the Company**

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

## **Publication of the Final Results and Annual Report**

This annual results announcement is published on the Company's website (<https://ir.crazysports.com>) and the Hong Kong Exchanges and Clearing Limited's website (<http://www.hkexnews.hk>). The Company's 2022 annual report will be despatched to the Shareholders and will be made available on the aforesaid websites in due course.



## **Proposed Adoption of New Bye-laws**

The Board proposes to amend the existing Bye-laws for the purposes of, among others, (i) bringing the existing Bye-laws in line with the Core Shareholder Protection Standards set out in Appendix 3 to the Listing Rules; (ii) allowing a general meeting to be held as a hybrid meeting or an electronic meeting in addition to a physical meeting, and the participants of which to attend, participate and vote by electronic means; and (iii) making certain housekeeping amendments for the purpose of clarifying existing practice and making consequential amendments to be in line with the amendments to the existing Bye-laws (collectively, the “**Proposed Amendments**”). The Board also proposes to adopt the amended and restated Bye-laws (the “**New Bye-laws**”) in substitution for, and to the exclusion of, the existing Bye-laws.

The Proposed Amendments and adoption of the New Bye-laws shall be subject to the passing of a special resolution by the Shareholders at the forthcoming annual general meeting of the Company (“**2023 AGM**”), and, if approved, will become effective upon such approval.

A circular containing, among others, details of the Proposed Amendments and adoption of the New Bye-laws, together with a notice convening 2023 AGM will be despatched to the Shareholders in due course.

## **Appreciation**

The Board would like to express its sincere gratitude to our employees for their hard work and commitment, which has been, and will continue to be, essential for the Group’s success and competitive edge in a market full of challenges and uncertainties. The Board also thank the Shareholders for their continuous support and confidence in the Group.

## **Subsequent Event**

Subsequent to the reporting period and as of the date of this announcement, there were no major event.

## **DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS**

“2021” the financial year ended 31 December 2021;

“2022” the financial year ended 31 December 2022;

“3D” 3 Dimensions;

“5G” 5th generation mobile networks;

“AI”	artificial intelligence;
“AIGC”	artificial intelligence-generated content;
“AR”	augmented reality;
“Audit Committee”	the audit committee of the Company;
“BOA”	Bank of Asia (BVI) Limited, a company incorporated under the laws of BVI with limited liability;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Bye-laws”	the memorandum of association and bye-laws of the Company;
“Company”	Crazy Sports Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
“CSL”	Chinese Football Association Super League;
“Directors”	the directors of the Company;
“FK”	forward kinematics;
“Group”, “Crazy Sports” or “Crazy Sports Group”	the Company, together with its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“HKFRS”	Hong Kong Financial Reporting Standards;
“IK”	inverse kinematics;
“IP”	intellectual property;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MCN”	multi-channel network;

“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers;
“PRC” or “China”	the People’s Republic of China;
“R&D”	research and development;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	the shareholders of the Company;
“Smart Token”	Smart Token Holdings Limited, a company incorporated in BVI with limited liability, a direct wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“UCL”	UEFA Champions League;
“UEFA Euro”	UEFA European Football Championship;
“US\$”	United States dollars, the lawful currency of the United States of America;
“VR”	virtual reality; and
“%”	per cent.

By order of the Board  
**Crazy Sports Group Limited**  
**ZHANG Lijun**  
*Chairman*

Hong Kong, 30 March 2023

*As at the date of this announcement, the Directors are:*

*Executive Directors:*

Dr. ZHANG Lijun (*Chairman*)

Mr. PENG Xitao

Ms. CHENG Po Chuen

*Independent Non-executive Directors:*

Mr. ZANG Dongli

Mr. ZHOU Jingping

Ms. LIU Haoming