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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)

2023 ANNUAL RESULTS ANNOUNCEMENT

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2023. 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.

2023 ANNUAL RESULTS REVIEW

Entering 2023, and witnessing the changing consumption habits among the Chinese population, along with the pressures and challenges faced by the gaming industry, the Group is committed to adjusting its business model and strategies. We are focusing on developing our core business targeting a wide range of sports enthusiasts. This includes leveraging the Group’s big data resources and increasing our efforts to introduce advanced data analysis and AI technology. Our aim is to empower our sports entertainment ecosystem with higher quality product contents, higher efficiency and higher profitability, which featured “Crazy Red Insights + Sports Lottery New Retail” as core business. We will continue to build ourselves as the leading digital sports entertainment operator in China.

In 2023, the sports industry was supported by national policies and Chinese population's attention towards sports events continued to increase in China. At the same time, the heightened attention and continuous enthusiasm brought by the Qatar World Cup, as well as the prevalence of the "Lipstick Effect" in the post-pandemic era which further boosted to the sales of national sports lottery. According to statistics, the sales of national sports lottery reached RMB385.255 billion, representing a year-on-year increase of RMB108.733 billion, equivalent to a growth rate of 39.3%. It was worth mentioning that the number of new lottery purchasers represented by young lottery users and urban white-collar workers exhibited continuous growth. As the core product offering, Crazy Red Insights, benefited from the rapid market development, the revenue exceeded HK\$227.6 million for 2023. The average monthly active users witnessed an increase of 16.1% as compared to the corresponding year of 2022. Moreover, the total number of the platform users saw an increase of 22.8% as compared to 2022.

In 2023, due to the decrease in realised exchange gains from disposal of a subsidiary and dividend income of approximately HK\$42.7 million and HK\$31.3 million, respectively, as compared with the corresponding year of 2022, the Group recorded a loss of HK\$23.3 million during the year (2022: profit of HK\$17.7 million). The Group's total revenue decreased by 30.3% compared with 2022 to approximately HK\$490.2 million, which is primary attributable to the downward trend in the revenue generated from the sports and leisure gaming business due to the absence of major sports events and the uncertain prospects of gaming industry. The Group maintained growth momentum in its core businesses within the digital sports entertainment, while the revenue of paid sports information platform increased by 12.2%, limiting the loss amid economic uncertainty and consumer environment.

Business Model and Strategic Direction

The business of the Group is the digital sports entertainment business. We are committed to building a digital sports entertainment ecosystem centered around sports culture enthusiasts in order to build a multi-dimensional, real-time, and vibrant digital sports entertainment community.

Our strategy is based on a massive database of sports users and events, leveraging big data and AI technology to empower the traditional sports industry with "Crazy Red Insights + Sports Lottery New Retail" as the core business, and supplemented by the "Event+ Quizzes, IP + Games" businesses to drive the digital sports entertainment strategy forward in all aspects.

Our platform not only offers core business services but also actively develop in value-added business relating to digital sports entertainment with goals to attract more lottery-focused sports users. The Group's digital sports entertainment strategies are closely aligned with the national policies of building a leading sports powerhouse, as well as promoting sports and health consumption. Adhering to the mission of "Let Sports Create Happiness", we are committed to providing users with unique sports entertainment consumption experience.

CHAIRMAN’S STATEMENT

Dear Shareholders,

First of all, thank you for your continuing support to Crazy Sports Group!

Over the past three years, our lives seem to have been frequently threatened by diseases, prompting people to realise the growing importance of improving immunity and actively pursuing good health, are more crucial than “post-illness treatment”. In the post-pandemic era, “proactive health” has become an essential concept. Sports, not only serve as a vital avenue for enhancing public health levels but also fulfilling people’s desire for a better life, whilst promoting a holistic development of individuals. Sports played an even more important role in today’s society than ever before.

Meanwhile, as artificial intelligence continues to enhance rapidly and the landscape of technology continues to evolve, the integration of digital technology and sports is emerging as a crucial driver of new productive forces. This integration not only unleashes powerful dynamism but also reveals infinite charm and vast realms of imaginative possibilities. Sports are becoming a bright industry with immense development and growth potential, oriented towards the future and humanity as a whole.

Uniquely, 2024 signifies the year in which China’s sports industry hits the goal of RMB5 trillion. In this critical period, we have extensively explored the development of the sports sector and have discovered numerous valuable opportunities:

Firstly, the number of people participating in China’s sports and the extent of their involvement is growing at an exponential rate, especially in the elderly demographics and rural communities, who are demonstrating remarkable enthusiasm and adopting innovative approaches to sports activities. As a result, they are swiftly participating in the vast sports market. The market opportunities brought about by this trend are very promising.

Secondly, the globalisation of sports will continue to be reinforced.

From Asia to the world, the sports market is continuously expanding. Whether it's high-quality collaboration on the "Belt and Road Initiative" or the drive to establish a shared economic and social community, both are creating new opportunities for sports businesses. Fans from around the world, media, events, and sports leagues are further deepening the global landscape of sports.

Crazy Sports Group will capture opportunities brought about by the development trends of the sports industry. By adopting a precise market positioning of "Sports Lottery New Retail + Crazy Red Insights", selecting a unique track, and leveraging the key competitive strength of our massive user data for development momentum, we will focus on our core business and scientifically leverage cutting-edge technology, such as AI, to drive market outcomes efficiently and promptly. We firmly believe that in 2024, Crazy Sports will exhibit robust development momentum and emerge as a significant force in promoting the industry's development. "2024 will be a thriving year for lottery retail, Crazy Sports will be at the forefront of this exciting growth!"

It is also worth mentioning that 2024 is truly a big year for major sports competitions, presenting us with exceptional market opportunities. With the highly anticipated Paris Olympics and the UEFA Euro taking the stage, this edition of the Paris Olympics will mark the first fully open event for live spectatorship following the pandemic. It is proven that there will be a surge in revenue, profitability, and traffic for Crazy Sports during major competition years. 2024 is a year full of hope, and Crazy Sports will continue to be the pioneer in the industry, further solidifying its leading position in the field of digital sports. Moreover, we are committed to contributing to the establishment of a strong sports nation!

In 2024, let us be united and embark on a glorious new chapter together!

Zhang Lijun

Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Development Highlights

Paid Sports Information Platform – Crazy Red Insights APP

In the face of three years of the new normal, the paid content subscription industry has undergone disruptive transformation, and the popularity of the lottery market has reached a new high in 2023. This in return has propelled steady growth in the Group's paid sports information business. In 2023, we focused on strategies such as improving user retention, particularly among new World Cup users, by further enhancing the quality of platform content and services. Simultaneously, we worked on further fine-tuning our products and expanding our user base, exploring the commercial values of Zhong Guo Zu Cai Wang (中國足彩網). In order to continuously expand new channels for acquiring new users, Crazy Red Insights has strategically partnered with platforms such as Baidu and Kuaishou, to jointly launch paid content mini-programs, which are available for distribution by platform through short videos with product endorsement. Currently, our Crazy Red Insights mini-programs are unveiled on Baidu, Kuaishou, Alipay, Douyin, WeChat, etc. Overall, our paid sports information platform business has maintained a momentum of continuous revenue growth. The revenue of the paid sports information business amounted to HK\$227.6 million, representing a year-on-year increase of 12.2%. The following are our key strategies for the paid sports information segment:

1. Major Upgrade of Model Algorithm Products

In order to meet the ever-changing market demands and user expectations, we have undertaken a significant upgrade to our existing model algorithm products by introducing advanced technologies and methods to enhance the accuracy and efficiency of our algorithm. We have carefully applied appropriate algorithms to different scenarios and problems, enabling us to achieve more precise predictions and streamline more efficient decision-making process. More practical functions and services are added to the existing products to meet the diversified needs of users. Through the upgrade of model algorithm products, significant improvements have been achieved in terms of performance, functionality, reliability, etc. In 2023, the overall revenue of big data model products increased by 23.6% as compared to the previous year, gaining widespread recognition from users.

2. *Enhancing Customer Retention and Revenue for Key Clients*

We have allocated significant resources to explore the untapped value of our private domain users and create cross-selling opportunities. We continuously optimised our customer service team and established a service response system and customer maintenance mechanisms. We prioritise the retention of our key client base, providing them with customised service offerings and personalised solutions that promptly and accurately address their needs. At the same time, we explored user demands, established user trust, and created opportunities for cross-selling additional services.

3. *Continuous Optimisation of Sports Content Creation*

To cater to the diverse needs of our users, our experts have introduced a variety of gameplay recommendations, making our product content more diversified and better aligned with the different preferences of soccer fans, allowing us to provide them with a more timely and accurate reference basis.

The Crazy Sports MCN team is dedicated to building a comprehensive and professional sports content platform, exploring more valuable personal IP. Currently, it has established a strong communication channel on social media platforms, including Douyin, Kuaishou, WeChat Channels, Weibo, Baidu, Migu Video, etc. which have attracted a significant following, and we are thriving with a positive development momentum, thus embracing a future full of opportunities.

4. *Unlocking the Commercial Values of Zhong Guo Zu Cai Wang (中國足彩網)*

Zhong Guo Zu Cai Wang, founded in 2001, is one of the most prominent platforms in the Chinese football lottery information field. With accumulated users exceeding 200 million, the website consistently ranks among the top in terms of user scale in the Chinese football lottery website market. Zhong Guo Zu Cai Wang provides lottery users with fundamental services such as live match scores, real-time event data, lottery information, important industry news, lottery trend charts, expert recommendations, and AI data predictions. The extensive user base of Zhong Guo Zu Cai Wang brings outstanding advertising values. With accurate user profiling and data analysis, advertisers can target their advertisements and improve the effectiveness of their advertisements. In addition, Zhong Guo Zu Cai Wang can further expand its business impact by organising online activities and creating a tailored community to increase user stickiness, further expanding its commercial influence.

Sports Lottery Retail Services

Crazy Sports provides users with a seamless and secure offline lottery purchase experience through opening physical outlets such as broadcasting + internet influencer lottery stores, sports lottery new retail stores, and commercial complex lottery specialty stores. Currently, our sports lottery retail outlets cover more than 20 provinces and cities across China, expanding our brand influence. Crazy Sports aims to tap into the youth market through the establishment of commercial complex lottery specialty stores and achieve the accumulation and diversion of online consumption. In 2023, our lottery new retail business mainly focused on several key areas:

1. *Streamlined Management: Adjust Operating Models to Enhance Quality and Efficiency*

In 2023, a comprehensive analysis of national business was conducted to make changes to the management model in certain operating regions, transitioning from unified operation to joint operation, which will not only reduce operating costs but also motivate sales personnel to improve overall regional sales volume, thereby achieving profits across all regions in 2023.

2. *Operation Enhancement: Increase Average Monthly Sales per Store*

To strengthen the operation efforts in key development areas, the first is to increase the number of physical the stores; the second is to increase the frequency of store visits; the third is to implement an efficient process for ticket distribution; the fourth is to implement sales performance assessments. Through efficient operation, our sports lottery new retail stores achieved increase in monthly sales per store in 2023.

3. *Seizing Opportunities: Expand Commercial Complex Lottery Specialty Stores*

In 2023, instant lottery sales ushered in a substantial growth trend. According to the lottery sales in China announced by the Ministry of Finance, the sales of the national instant lottery reached RMB119.021 billion, representing a year-on-year increase of RMB59.574 billion, equivalent to an increase of 100.2%. In response to the development trend, the Group has been actively focusing on the development of lottery new retail business for franchised stores in commercial complexes. The clientele of commercial complexes is mainly young people. From the perspective of purchasing power and promotion, targeting young lottery buyers to join the lottery purchase group can expand sales and benefit brand promotion.

4. *Seeking Innovation: Explore New Growth Opportunities to Meet Market Demand*

We actively seek new market opportunities in the lottery new retail business while ensuring the high quality and steady development of existing business. We explored business models and business ventures in areas such as live broadcasting + internet influencer lottery stores, sports lottery franchised stores + new retail, as well as new channels for instant lottery.

5. *Continuous Diversification of Business Development and Close Cooperation with Sports Lottery Centers*

In 2023, we actively collaborated with provincial and municipal sports lottery administrative centers to explore comprehensive business cooperation, including marketing and promotion of instant lottery tickets, marketing and training programs of stores, as well as the channel development of sports venues.

Sports and Leisure Gaming Business

In 2023, total revenue of the sports and leisure gaming business recorded HK\$226.6 million, representing a decrease of 37.0% as compared to 2022. Given the absence of major sports events in the local gaming industry and the market volatility in 2023, the Group took proactive measures to avoid excessive resource allocation on large-scale updates and new game launches. We have adjusted our publishing strategy and focused on several key areas of development within the gaming industry:

1. *Deepen Penetration in Sports Business, Signing Major IPs*

Crazy Sports endeavours to offer sports-related games to the majority of sports users, create rich online sports scenarios, and facilitate the dissemination and promotion of offline sports. Currently, sports games including soccer e-sports mobile game of FIFPro IP “Ace Soccer”, soccer card mobile game “Dream Soccer”, and soccer manager simulation game “Soccer Manager” have been launched, providing long-lasting lifecycle games for sports users.

In terms of IP contract development, Crazy Sports was awarded the official gaming IP license of the La Liga EA Sports in March 2023, and it completed the renewal of the global IP rights with FIFPro in June 2023.

2. *Enriching Sports and Cultural Community and Exploring New Game Genres*

In addition to our focus on sports games, Crazy Sports Group will actively explore and release new game genres, contributing to the revitalisation of China’s culture and creative industry. In 2023, Crazy Sports successfully released two new games, including the military strategy mobile game “Tank of Kings” and the Three Kingdoms-themed mobile game “Drunken Plan for the Three Kingdoms”, bringing value added product experiences for the Group’s sports community users. Crazy Sports has fully utilised the Group’s IP rights and game distribution strengths, only in offering an extensive array of sports and cultural products while assisting long-term development growth for the Group’s gaming business.

3. *Maintaining the Competitiveness of Co-publishing Platform*

Leveraging the platform’s accumulated expertise in game distribution and channel promotion, the Group comprehensively optimises the co-publishing gaming business. By continuously publishing focusing on the categories of leisure puzzle games, action role-playing games, as well as construction and management simulation games, we continuously accumulate high-quality user groups and gradually established an excellent reputation within the industry, thereby laying a solid foundation for further development of the co-publishing gaming business. However, due to the decrease in player spending, the overall revenue of co-publishing games was affected in 2023. Moving forward, the Group will continue to adjust its game publishing strategy to maintain a favorable return on investment.

Digital Sports Entertainment Community Value-added Business

Sports Social Interactive Platform — Crazy Sports APP

The sports social interactive platform has gone through a phase of product restructuring and updates in 2023, the rise of short video platforms such as Douyin, Kuaishou, Bilibili, Xiaohongshu, and Wechat Channels has redefined the traffic distribution trends in the Internet ecosystem. Crazy Sports APP introducing and optimising various functionalities, such as real-time data and live streaming information for different types of sports matches, including soccer mini-league, Go, and billiards. These additions aim to satisfy the diverse needs of different sports enthusiasts. For live broadcasts of events, we have optimised various features such as entrance navigation, message notification, chat room, and interactive features with broadcasters, which increased users’ engagement and extended session length. Moreover, Crazy Sports APP has developed and introduced a deluxe live broadcast room, allowing paid sports users to access expert analysis and recommendations for free, thereby opening up a new commercialisation path for Crazy Sports’ deluxe live streaming experience.

Crazy Sports will continue to expand its MCN team to produce high-quality short video content, create individual IPs, enhance private domain traffic, and expand overall revenue through content marketing.

Digital Collectibles Platform – Qiankun Digital Collectibles

In 2023, due to the downturn in the demand of digital collectibles market, Qiankun Digital Collectibles' recorded revenue of HK\$1.6 million, representing a decrease of 94.7% as compared to last year. The Group continued to strengthen its technological R&D and content innovation in Qiankun Digital Collectibles, and continued to empower digital collectibles and create various application scenarios to satisfy their entertainment needs, so as to enhance the Group's innovation potential. In 2023, the Group independently conducted R&D and successfully launched the WEB 3.0 community "Collectibles Community", which effectively facilitated the establishment of community consensus building for Qiankun Digital Collectibles. With the launch of "Collectibles Community", the platform embarked on exploring diversified business models and revenue streams.

Sports Events and Interactive Quizzing Platform — Fantasy Sports Events APP

In the process of promoting the digital transformation of sports events, we are consistently exploring and innovating, utilizing events to attract more users to follow Crazy Sports and use Crazy Sports products. In 2023, Fantasy Sports Events APP collaborated with several tournaments, including the opening match of the International Professional Boxing Unite (IPBU), the 2023 Chinese Billiards and Snooker Association (CBSA) – International Elite Competition, the "JiuJiu Cup" Wenchang (Hainan) Township Volleyball League, and the National Youth Karate Championships. The variety of the contents has effectively enhanced the enjoyment and entertainment value of these events. By integrating its expertise with traditional sports events, the Group empowers these events to enhance its overall operation and profitability.

Business Outlook

AI and big data technology have been widely applied in various fields. We are focusing on the R&D and application exploration of AIGC technology, through the scenario modeling such as content creation and user chatbots so as to deliver more convenient and tailored services, as well as user experiences for our users. We plan to develop an intelligent Red Insights chatbot, powered by LLM, allowing users to interact with smart experts in natural language, thereby aiming to ensure users will receive accurate information automatically, improving the efficiency of information acquisition, ultimately increasing user satisfaction. In addition, by leveraging AI big data and sophisticated algorithms, the auxiliary tools analyse a vast amount of historical winning data to identify patterns and trends, therefore giving users valuable insights, and improving data accuracy.

Meanwhile, 2024 will be another exciting year for major sports events, featuring the 33rd Summer Olympics, the world's largest multi-sports event, to be held in Paris, France. Additionally, the UEFA Euro, known as one of the most prestigious football tournaments worldwide, is set to kick off in June, alongside other football competitions such as the Asian Cup, Africa Cup of Nations, and Copa America. Looking back, the significant increase in revenue generated by the Crazy Red Insights business was attributable to the 2020 UEFA Euro and the 2022 World Cup. The expansion of the 2024 UEFA Euro, with an increase in teams and matches for the first time, is expected to further captivate the public's interest. This will drive revenue growth for the sports lottery industry as a whole. Furthermore, being the first major football competition following China's pandemic restrictions being lifted, the competition is anticipated to garner heightened attention and overall revenue.

As a listed company deeply rooted in China's sports industry, we are confident that through the continuous efforts of the Crazy Sports team, Crazy Sports Red Insights will become the most influential paid sports information platform in China and even globally. We eagerly anticipate growing with sports users and witnessing the prosperous development of the sports industry together. As of 31 December 2023, the Group's platform has recorded 87 million registered users, reflecting a 22.8% increase as compared to the end of 2022. Throughout this development process, we have consistently prioritised users' needs and strived to offer them the most valuable services. As the leading digital sports entertainment operator in China, Crazy Sports will fully utilise the world's high-quality sports resources, seize the growth opportunities presented by major sports events such as the 2024 Qatar Asian Cup, the UEFA Euro in Germany and the Olympic Games in Paris, ultimately delivering greater returns to the Shareholders.

FINANCIAL REVIEW

	For the year ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	490,184	703,455
Cost of revenue	<u>(310,808)</u>	<u>(450,993)</u>
Gross profit	179,376	252,462
Other gains and losses, net	6,034	84,590
Selling and marketing expenses	(146,092)	(191,497)
Administrative expenses	(45,948)	(58,627)
Expected credit loss on other receivables	–	(21,583)
Impairment of interest in an associate	(5,055)	(33,098)
Share of results of an associate	(9,663)	(15,089)
Finance costs	<u>(1,192)</u>	<u>(1,113)</u>
(Loss)/profit before income tax	(22,540)	16,045
Income tax (expense)/credit	<u>(730)</u>	<u>1,679</u>
(Loss)/profit for the year	<u><u>(23,270)</u></u>	<u><u>17,724</u></u>

Revenue

The Group's total revenue was contributed by the digital sports entertainment related business. During 2023, the Group's total revenue was approximately HK\$490.2 million, representing a decrease of 30.3% as compared to 2022. 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. The Group's revenue generated from different product lines is summarised as below:

	2023		2022	
	HK\$'000	%	HK\$'000	%
Paid sports information platform	227,617	46.4	202,817	28.8
Sports social interactive platform	19,413	4.0	93,205	13.3
Sports and leisure games	226,571	46.2	359,716	51.1
Lottery-related commission income	15,016	3.1	18,324	2.6
Digital collectibles platform	1,567	0.3	29,393	4.2
	<u>490,184</u>	<u>100.0</u>	<u>703,455</u>	<u>100.0</u>

The changes in revenue from different product lines is analysed as below:

- (1) In 2023, the core product line of the Group is its paid sports information platform, which recorded an increase in revenue of HK\$24.8 million or 12.2%. The Group has intensified its efforts to focus on developing its paid sports information platform and sports lottery new retail services exclusively for sports enthusiasts, leading to a change of product mix with paid sports information platform becoming major product of the Group accounting for 46.4% of total revenue. The growth of Crazy Red Insight was due to the high attention and continuous enthusiasm brought by the Qatar World Cup, as well as the spread of the "Lipstick Effect" in the post-pandemic era. After the 2022 World Cup, the Group successfully retained users through the introduction of advanced data analysis and AI technology on its platform, with the total number of register users and average monthly active users grew by 14.1% and 16.0% respectively.
- (2) During 2023, revenue from sports and leisure games were decreased by 37.0% or HK\$133.1 million compared to 2022. In view of the absence of major sports events in the year and uncertain prospect of gaming industry, the Group has proactively adjusted its publishing strategy for the gaming business in order to avoid excessive resources allocation on large-scale updates and new games launches. Besides, due to the decline in player spending power, the overall revenue of co-published games were affected during the year.

- (3) Revenue generated from sports social interactive platform decreased by 79.2% to HK\$19.4 million during 2023. The sports social interactive platform has gone through a phase of product restructuring and updating in 2023, aiming to cope with the new traffic distribution trends in the Internet ecosystem. The transformation involved partly closure of certain revenue generating features, which had affected its business performance.
- (4) The Group's self-developed digital collectibles platform, Qiankun Digital Collectibles, was launched in April 2022. It successfully gained attention from sports and cultural enthusiasts during its debut, recorded revenue amounted to HK\$29.4 million during 2022. Revenue significantly decreased by HK\$27.8 million or 94.7% during 2023, which was affected by the sluggish digital collectibles market due to deteriorated demands.

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 decreased by 31.1% to approximately HK\$310.8 million during the year as compared to 2022. The declining trend was due to decrease in revenue generated from the digital sports entertainment related businesses.

During the year, gross profit of the Group was approximately HK\$179.4 million, representing a decrease of 28.9% as compared to 2022; meanwhile, the gross margin slightly increased to 36.6% in 2023 from 35.9% in 2022. The higher gross margin was due to commissions charged by distribution channels and payment channels was increased during the 2022 World Cup, thus the cost efficiency improved in 2023.

Other gains and losses, net

Other gains and losses for the year recorded a gain of HK\$6.0 million. It was mainly attributable to the dividend income from financial assets amounted to HK\$2.8 million and exchange gain of HK\$2.4 million. Other gains and losses for 2022 recorded a gain of HK\$84.6 million was mainly attributable to the realised exchange gains from disposal of a subsidiary amounted to HK\$42.7 million and dividend income from financial assets amounted to HK\$34.1 million.

Selling and marketing expenses

Selling and marketing expenses decreased by 23.7% to HK\$146.1 million in 2023 from HK\$191.5 million in 2022, since no major sports event happened and fewer resources allocation on large-scale updates and new game launches compared with 2022. Such decrease was mainly attributable to a decrease in servicing fees for marketing and advertisement of the Group's digital sports applications and games. During 2023, we deployed resources to retain users after the 2022 World Cup, at the same time we invested to introduce interactive marketing methods to broaden the user base.

Administrative expenses

Administrative expenses decreased by 21.6% to HK\$45.9 million in 2023 from HK\$58.6 million in 2022. 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.

Impairment of interest in an associate

Impairment loss of HK\$5.1 million was recognised in respect of the Group's interest in BOA in 2023, as compared to an impairment loss of HK\$33.1 million in 2022. The fair value of BOA was determined with references to an independent valuation as at 31 December 2023 and impairment loss was made primarily due to further decline in the market value of comparable companies continuously decline in net asset value of BOA as a result of losses recognised during the year. As at 31 December 2023, the carrying amount of our Group's interest in BOA was HK\$9.4 million (2022: HK\$24.1 million).

Share of results of an associate

Share of loss of an associate was approximately HK\$9.7 million in 2023 whereas a share of loss of an associate of approximately HK\$15.1 million was recorded in 2022. The decrease in losses of BOA was generated by an increase in revenue from general banking services and cost control measures.

Income tax

There was an increase in income tax expense recorded in 2023 as compared to 2022.

Net loss for the year

As a result of the foregoing, the Group recorded loss of HK\$23.3 million for 2023, as compared to a profit of HK\$17.7 million in 2022. The loss recorded during 2023 was mainly due to the significant decrease in other gains and decrease in revenue generated.

STRATEGIC INVESTMENTS

As at 31 December 2023, the investment portfolio of the Group amounted to approximately HK\$275.5 million (2022: HK\$270.6 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, AI, media, digital sports entertainment industries to establish opportunities for further collaborations or achieve synergies.

Investment in private equity funds

As at 31 December 2023, the Group has investment in private equity funds amounted to HK\$274.3 million (2022: HK\$267.7 million), which accounted for 25.5% of the total assets. The balance comprised of two 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. As at 31 December 2023, the Group held 27.17% of limited partnership interests in 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\$2.8 million from the CPC Fund during the year (2022: HK\$14.6 million). The fair value of the Group's investment in CPC Fund is HK\$157.0 million as at 31 December 2023 (2022: HK\$155.4 million), with a fair value gain of HK\$1.6 million recognised as other comprehensive income. The fair value of CPC Fund accounted for 14.6% (2022: 13.0%) of the Group's total assets as at 31 December 2023.

(b) *New Rock Capital Fund*

In 2020, the Group 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. Up to the end of the 2023, the Group has invested in aggregate HK\$129.0 million (31 December 2022: HK\$129.0 million) into New Rock Capital Fund and held 91.05% of limited partnership interests in 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, AI, media and technology business. The fair value of the Group's investment in New Rock Capital Fund was HK\$117.3 million as at 31 December 2023 (2022: HK\$112.3 million), with a fair value gain of HK\$5.0 million recognised as other comprehensive income. The fair value of New Rock Capital Fund accounted for 10.9% (2022: 9.4%) of the Group's total assets as at 31 December 2023.

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.

2023 was the first year since BOA commenced business that was not affected by Covid-related lockdowns. Given the domestic economy faced many pressures and challenges, and the US Federal Reserve maintaining high interest rates, BOA is actively developing new businesses and exploring new streams of revenue to improve its revenue and profits. During the year, a share of loss of approximately HK\$9.7 million was recorded, compared to a share of loss of approximately HK\$15.1 million in 2022. The reduction in losses was due to an increase in revenue from general banking services.

BOA is also pursuing opportunities in the bills of exchange sector, and has now built up a good number of potential counter-parties who are major players in that sector. BOA will concentrate in 2024 on steadily increasing its capitalisation and engaging into highly profitable niches and bringing high returns to its shareholders and customers.

As at 31 December 2023, there was an impairment of HK\$176.9 million (2022: HK\$171.9 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 decline in the market value of comparable companies. 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	
	2023	2022
	HK\$'000	HK\$'000
Net cash used in operating activities	(987)	(4,438)
Net cash used in investing activities	(849)	(23,523)
Net cash (used in)/generated from financing activities	<u>(17,260)</u>	<u>19,293</u>
Net decrease in cash and cash equivalents	(19,096)	(8,668)
Effect of changes in foreign exchange rate	1,780	5,635
Cash and cash equivalents at beginning of year	<u>77,905</u>	<u>80,938</u>
Cash and cash equivalents at end of year	<u><u>60,589</u></u>	<u><u>77,905</u></u>

Working capital

The Group had HK\$60.6 million cash and cash equivalents as at 31 December 2023, as compared to a balance of HK\$77.9 million as at 31 December 2022. 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 approximately HK\$1.0 million during the year, compared to net cash used in operating activities of HK\$4.4 million for 2022. 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 used in operating activities in 2023 were primarily due to a decrease in accounts receivable since a significant amount of revenue was generated at the end of 2022 from 2022 World Cup.

Net cash used in investing activities

Net cash used in investing activities was HK\$0.8 million in 2023, as compared to net cash used in investing activities of HK\$23.5 million in 2022. The net cash used in investing activities in 2023 was mainly comprised of acquisition cost of intangible assets amounted to HK\$3.2 million and repayment of related company balances of HK\$4.2 million, off-set by dividend income of HK\$6.3 million received.

Net cash used in financing activities

Net cash used in financing activities was HK\$17.3 million in 2023 as compared to net cash generated from financing activities of HK\$19.3 million in 2022. The net cash used was mainly comprised of the repayment of bank borrowings of HK\$97.3 million and increase in bank borrowings of HK\$84.1 million.

Capital Structure

As at 31 December 2023, the Group's total assets amounted to HK\$1,077.0 million (2022: HK\$1,199.6 million) which were substantially financed by shareholders' fund of HK\$777.2 million (2022: HK\$813.1 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

There was no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2023.

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

The Group did not have any pledged assets as at 31 December 2023. As at 31 December 2022, an intangible asset with carrying amount of HK\$Nil was pledged to corporate guarantees for counter guarantees of certain secured bank loans.

Contingent liabilities

As at 31 December 2023 and 2022, we did not have any material contingent liabilities.

Gearing ratio

As at 31 December 2023, gearing ratio was approximately 2.6% (2022:4.2%), 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 2023 and 2022.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	5	490,184	703,455
Cost of revenue		(310,808)	(450,993)
Gross profit		179,376	252,462
Other gains and losses, net	6	6,034	84,590
Selling and marketing expenses		(146,092)	(191,497)
Administrative expenses		(45,948)	(58,627)
Expected credit loss on other receivables		–	(21,583)
Impairment of interest in an associate		(5,055)	(33,098)
Share of results of an associate		(9,663)	(15,089)
Finance costs	7	(1,192)	(1,113)
(Loss)/profit before income tax	8	(22,540)	16,045
Income tax (expense)/credit	9	(730)	1,679
(LOSS)/PROFIT FOR THE YEAR		(23,270)	17,724
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
– Exchange differences arising on translation of foreign operations		–	(13,434)
– Reclassification upon dissolution of a subsidiary		178	–
– Reclassification upon disposal of a subsidiary		–	(43,711)
		178	(57,145)
Items that will not be reclassified to profit or loss:			
– Exchange differences arising on translation of presentation currency		(19,718)	(52,590)
– Fair value change on financial assets at fair value through other comprehensive income		6,532	(148,491)
Other comprehensive income for the year, net of tax		(13,008)	(258,226)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(36,278)	(240,502)

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(LOSS)/PROFIT FOR THE YEAR			
ATTRIBUTABLE TO:			
Owners of the Company		(23,222)	17,758
Non-controlling interests		<u>(48)</u>	<u>(34)</u>
		<u>(23,270)</u>	<u>17,724</u>
TOTAL COMPREHENSIVE INCOME			
ATTRIBUTABLE TO:			
Owners of the Company		(36,185)	(240,469)
Non-controlling interests		<u>(93)</u>	<u>(33)</u>
		<u>(36,278)</u>	<u>(240,502)</u>
(LOSS)/EARNINGS PER SHARE			
ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic (HK cents)	<i>10</i>	<u>(0.51)</u>	<u>0.39</u>
– Diluted (HK cents)	<i>10</i>	<u>(0.51)</u>	<u>0.39</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		1,040	1,845
Goodwill		399,601	410,124
Intangible assets		104,470	135,476
Interest in an associate	<i>11</i>	9,370	24,088
Financial assets at fair value through other comprehensive income		274,261	267,729
Right-of-use assets	<i>16</i>	5,579	8,581
Deferred tax assets		298	306
Prepayments for purchase of intangible assets		9,469	9,717
		<hr/> 804,088 <hr/>	<hr/> 857,866 <hr/>
CURRENT ASSETS			
Trade receivables	<i>12</i>	107,618	175,576
Other receivables, deposits and prepayments		102,775	83,469
Financial assets at fair value through profit or loss		1,262	2,880
Amounts due from related companies		667	682
Income tax receivables		–	1,248
Cash and cash equivalents		60,589	77,905
		<hr/> 272,911 <hr/>	<hr/> 341,760 <hr/>
TOTAL ASSETS		<hr/> 1,076,999 <hr/>	<hr/> 1,199,626 <hr/>
CURRENT LIABILITIES			
Trade and other payables	<i>13</i>	80,197	121,435
Contract liabilities	<i>14</i>	42,467	65,754
Lease liabilities	<i>15</i>	2,198	2,831
Amounts due to related companies		37,584	41,784
Bank borrowings	<i>15</i>	19,853	33,959
Income tax payable		112,352	112,094
		<hr/> 294,651 <hr/>	<hr/> 377,857 <hr/>
NET CURRENT LIABILITIES		<hr/> (21,740) <hr/>	<hr/> (36,097) <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 782,348 <hr/>	<hr/> 821,769 <hr/>

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		–	1,144
Lease liabilities	<i>15</i>	<u>3,435</u>	<u>5,762</u>
		<u>3,435</u>	<u>6,906</u>
NET ASSETS			
		<u><u>778,913</u></u>	<u><u>814,863</u></u>
EQUITY			
Share capital		45,262	45,262
Reserves		<u>731,966</u>	<u>767,823</u>
Equity attributable to owners of the Company		777,228	813,085
Non-controlling interests		<u>1,685</u>	<u>1,778</u>
TOTAL EQUITY		<u><u>778,913</u></u>	<u><u>814,863</u></u>

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 of Hong Kong Limited (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, sports quizzing 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 People’s Republic of China (the “**PRC**”) (the “**Digital sports entertainment business**”).

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

(a) Adoption of new or amended HKFRSs

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Other than the amendments to HKAS 1 and HKFRS Practice Statement 2, 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. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

(b) New guidance on accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong issued by HKICPA

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) was gazetted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory contributions under the mandatory provident fund (“**MPF**”) to offset severance payment (“**SP**”) and long service payments (“**LSP**”) (the “**Abolition**”). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 (the “**Transition Date**”). The following key changes will take effect since the Transition Date:

Accrued benefits derived from employers’ mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.

The pre-transition LSP/SP is calculated using the last month’s salary immediately preceding the Transition Date, instead of using the salary of employment termination date.

Due to the complexities of the accounting for the offsetting of employer’s MPF contributions and its LSP obligation and hence the impact arising from the Abolition, in July 2023 the HKICPA published ‘Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong’ (the “**Guidance**”) to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches, being:

Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee’s LSP benefits in terms of Hong Kong Accounting Standard 19.93(a).

Approach 2: Account for the employer’s MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the Approach 1 above retrospectively since the effective date of the Amendment Ordinance (i.e. June 2022). The application of the accounting policy does not have a material impact on the Group’s financial statements for the current and prior years.

(c) 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.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²

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

² Effective for annual periods beginning on or after 1 January 2025

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

The Group does not expect the adoption of these amendments will have significant impact on the consolidated financial statements of the Group.

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 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 Rules Governing the Listing of Securities on the Stock Exchange (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\$21,740,000 as at 31 December 2023.

In the opinion of the directors of the Company (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\$19,430,000 due to the original shareholder of Easy Prime Developments Limited (“**Easy Prime**”), 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 balances 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 (“**RMB**”), while the consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), 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 2023, 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, sports quizzing 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 2023, 100% (2022: 100%) of the Group's revenue is attributable to customers in the PRC and over 90% (2022: over 90%) 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 (2022: Hong Kong).

(c) Major customers

There was no revenue from individual customers of the Group contributing over 10% of the Group's revenue during the years ended 31 December 2023 and 2022.

5. REVENUE

An analysis of revenue is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Digital sports entertainment business		
Paid sports information platform	227,617	202,817
Sports and leisure games	226,571	359,716
Sports social interactive platform	19,413	93,205
Lottery related commission income	15,016	18,324
Digital collectibles platform	1,567	29,393
	<u>490,184</u>	<u>703,455</u>
Timing of revenue recognition		
At a point in time	1,567	29,393
Transferred over time	488,617	674,062
	<u>490,184</u>	<u>703,455</u>

6. OTHER GAINS AND LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividend income from financial assets at FVOCI	2,794	34,104
Net foreign exchange gains	2,448	5,220
Government grants (<i>note</i>)	1,433	3,192
Interest income	280	119
Gain on disposal of a subsidiary (<i>note 17</i>)	–	42,721
Waiver of other payables	–	1,229
Gain on modification of lease	–	239
Loss on written off of property, plant and equipment	–	(2,526)
Fair value loss on financial assets at FVTPL	(1,618)	(1,238)
Others, net	697	1,530
	<u>6,034</u>	<u>84,590</u>

Note: For the years ended 31 December 2023 and 2022, the government grants are subsidies received from the PRC Government. The Group does not have other unfulfilled obligations relating to these programs.

7. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on lease liabilities	303	349
Interest on bank borrowings	889	764
	<u>1,192</u>	<u>1,113</u>

8. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Staff costs (excluding directors' remuneration)		
– Salaries and wages	16,174	19,337
– Pension fund contributions	3,494	3,870
– Share-based payments	305	940
	<u>19,973</u>	<u>24,147</u>
Depreciation of property, plant and equipment (<i>note</i>)	855	1,262
Depreciation of right-of-use assets included in administrative expenses (<i>note 16</i>)	2,835	2,640
Impairment of interest in an associate	5,055	33,098
Expected credit loss on other receivables	–	21,583
Amortisation of intangible assets included in cost of revenue	30,908	40,740
Auditor's remuneration		
– Audit service	1,300	1,250
– Non-audit service	200	200

Note: Depreciation charges on the Group's property, plant and equipment are recognised in the selling and marketing expenses of HK\$Nil (2022: HK\$56,000) and administrative expenses of HK\$855,000 (2022: HK\$1,206,000) in the consolidated statement of profit or loss and other comprehensive income.

9. INCOME TAX EXPENSE/(CREDIT)

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax		
– Hong Kong profits tax for the year	–	–
– PRC enterprise income tax		
– Charge for the year	1,118	935
– Under provision in prior years	754	–
	<u>1,872</u>	<u>935</u>
Deferred taxation	<u>(1,142)</u>	<u>(2,614)</u>
Income tax expense/(credit)	<u>730</u>	<u>(1,679)</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 2023 and 2022. 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 2023 and 2022, 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 2023.

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 years ended 31 December 2023 and 2022.

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 in 2022. 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. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

(Loss)/earnings

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share	<u>(23,222)</u>	<u>17,758</u>

Number of shares

	2023 <i>'000</i>	2022 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	4,526,135	4,526,135
Effect of dilutive potential ordinary shares: – share options	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>4,526,135</u>	<u>4,526,135</u>

(Loss)/earnings per share

	2023 <i>HK Cents</i>	2022 <i>HK Cents</i>
– Basic	<u>(0.51)</u>	<u>0.39</u>
– Diluted	<u>(0.51)</u>	<u>0.39</u>

For the years ended 31 December 2023 and 2022, the computation of diluted (loss)/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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Share of net assets other than goodwill	3,147	12,810
Goodwill	<u>183,135</u>	<u>183,135</u>
	186,282	195,945
Less: impairment	<u>(176,912)</u>	<u>(171,857)</u>
	<u>9,370</u>	<u>24,088</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% (2022: 45.49%)	Provision of BVI banking services (Note)

Note: 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.

Due to issuance of share capital by BOA, the equity interest held by the Group in BOA was diluted from 47.53% to 45.95% in 2020 and further diluted to 45.49% in 2021. The dilution of interest resulted in a deemed disposal of interest in an associate. No dilution of interest in BOA occurred for the years ended 2022 and 2023.

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

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets of the associate	6,918	28,159
Proportion of the Group's ownership interest in the associate	45.49%	45.49%
Goodwill	<u>183,135</u>	<u>183,135</u>
	186,282	195,945
Less: impairment	<u>(176,912)</u>	<u>(171,857)</u>
Carrying amount of the Group's interest in the associate	<u><u>9,370</u></u>	<u><u>24,088</u></u>

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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 6 months	82,429	168,287
Over 6 months but within 1 year	24,255	6,475
Over 1 year	<u>934</u>	<u>814</u>
	<u><u>107,618</u></u>	<u><u>175,576</u></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	15,045	31,483
Deposits received	78	79
Accruals	23,290	15,149
Other payables	41,784	74,724
	<u>80,197</u>	<u>121,435</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 6 months	7,562	29,023
Over 6 months but within 1 year	6,023	497
Over 1 year but within 2 years	538	1,217
Over 2 years	922	746
	<u>15,045</u>	<u>31,483</u>
Total trade payables	15,045	31,483
Accrued liabilities and other liabilities	65,152	89,952
	<u>80,197</u>	<u>121,435</u>

14. CONTRACT LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contract liabilities arising from games and applications	<u>42,467</u>	<u>65,754</u>
Movements in contract liabilities:		
		<i>HK\$'000</i>
Balance as at 1 January 2022		55,258
Exchange adjustments		(4,620)
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at beginning of year		(52,395)
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 and 1 January 2023		65,754
Exchange adjustments		(1,629)
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at beginning of year		(64,241)
Increase in contract liabilities from sales of virtual currency to users of games and applications		<u>42,583</u>
Balance as at 31 December 2023		<u>42,467</u>

15. BANK BORROWINGS AND LEASE LIABILITIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current liabilities		
Bank borrowings due for repayment within one year		
– Secured (<i>note (a)</i>)	5,515	33,959
– Unsecured (<i>note (b)</i>)	<u>14,338</u>	<u>–</u>
	19,853	33,959
Lease liabilities – current portion	<u>2,198</u>	<u>2,831</u>
Bank borrowings and lease liabilities – repayable within one year	<u>22,051</u>	<u>36,790</u>
Non-current liabilities		
Lease liabilities – non-current portion	<u>3,435</u>	<u>5,762</u>

- (a) The secured bank borrowings are carried at amortised cost and represented the loans as below:
- (i) As at 31 December 2023, a bank loan granted by the Bank of China of RMB5,000,000 (equivalent to HK\$5,515,000) is secured by a personal guarantee and bear interest of 2.25% per annum. The loan is repayable within one year on 7 November 2024.
 - (ii) As at 31 December 2022, certain bank loans granted by the Bank of China totalling RMB18,000,000 (equivalent to HK\$20,375,000) were secured by certain corporate guarantees and bore interest ranging from 2.85% to 3.73% per annum. The loans were repayable within one year on 28 February 2023, 30 March 2023 and 29 June 2023 respectively.
 - (iii) As at 31 December 2022, certain bank loans granted by the Bank of Beijing totalling RMB7,000,000 (equivalent to HK\$7,924,000) were secured by certain corporate guarantees and bore interest of 3.70% per annum. The loans were repayable within one year on 29 June 2023.
 - (iv) As at 31 December 2022, a bank loan granted by the China CITIC Bank of RMB5,000,000 (equivalent to HK\$5,660,000) was secured by a personal guarantee and bore interest of 3.70% per annum. The loan was repayable within one year on 21 December 2023.

- (b) As at 31 December 2023, the unsecured bank borrowings granted by certain banks totalling RMB13,000,000 (equivalent to HK\$14,338,000) bear interest ranging from 2.15% to 2.60% per annum. The loans are carried at amortised cost. The loans are repayable within one year on 4 April 2024 and 19 April 2024 respectively.
- (c) As at 31 December 2023 and 2022, the fair value of bank borrowings approximates to their carrying amount largely due to the short-term maturities.
- (d) As at 31 December 2023, the Group has unutilised banking facilities of RMB2,000,000 (equivalent to HK\$2,206,000). The facility expires within 1 year and is subject to renewal on 27 June 2024. It is secured by a personal guarantee.

Lease liabilities

	Properties <i>HK\$'000</i>
At 1 January 2022	6,809
Additions	8,227
Interest expense	349
Lease payments	(3,188)
Modification of lease	(3,250)
Exchange adjustments	<u>(354)</u>
At 31 December 2022 and 1 January 2023	8,593
Interest expense	303
Lease payments	(3,100)
Exchange adjustments	<u>(163)</u>
At 31 December 2023	<u><u>5,633</u></u>

Future lease liabilities are payable as follows:

	Minimum lease payments <i>HK\$'000</i>	Interest <i>HK\$'000</i>	Present value <i>HK\$'000</i>
At 31 December 2023			
Not later than one year	2,405	(207)	2,198
Later than one year but not later than five years	<u>3,593</u>	<u>(158)</u>	<u>3,435</u>
	<u><u>5,998</u></u>	<u><u>(365)</u></u>	<u><u>5,633</u></u>

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

The present value of future lease payments are analysed as:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current liabilities	2,198	2,831
Non-current liabilities	<u>3,435</u>	<u>5,762</u>
	<u><u>5,633</u></u>	<u><u>8,593</u></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.

(i) 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.

	Properties <i>HK\$'000</i>
At 1 January 2022	6,349
Additions	8,227
Depreciation charge for the year	(2,640)
Modification of lease	(3,011)
Exchange adjustments	(344)
	<u> </u>
At 31 December 2022 and 1 January 2023	8,581
Depreciation charge for the year	(2,835)
Exchange adjustments	(167)
	<u> </u>
At 31 December 2023	<u>5,579</u>

(ii) Amounts recognised in profit or loss

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on lease liabilities (<i>note 15</i>)	303	349
Expenses relating to short-term leases	16	12
Gain on the modification of lease	–	(239)
	<u> </u>	<u> </u>
	<u>319</u>	<u>122</u>
Aggregate undiscounted commitments for short-term leases	<u> </u>	<u> </u>

(iii) Amounts recognised in statement of cash flows

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Total cash outflow for leases	<u>(3,100)</u>	<u>(3,188)</u>

17. DISPOSAL OF A SUBSIDIARY

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:

	23 June 2022 <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 was calculated as follows:

	23 June 2022 <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 a subsidiary	<u><u>42,721</u></u>
Net cash outflow arising on disposal	

	23 June 2022 <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>

18. PLEDGE OF ASSET

The Group did not have any pledged assets as at 31 December 2023. As at 31 December 2022, an intangible asset with carrying amount of HK\$Nil was pledged to corporate guarantees for counter guarantees of secured bank loans granted by the Bank of China.

OTHER INFORMATION

Employee and Remuneration Policies

As at 31 December 2023, the Group had a total of 97 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 Wednesday, 8 May 2024 to Monday, 13 May 2024, 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 Tuesday, 7 May 2024.

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 C1 to the Listing Rules throughout the year ended 31 December 2023.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix C3 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 2023.

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 2023.

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 2023 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 2023.

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 (<https://www.hkexnews.hk>). The Company's 2023 annual report will be despatched to the Shareholders and will be made available on the aforesaid websites 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

“2022”	the financial year ended 31 December 2022;
“2023”	the financial year ended 31 December 2023;
“AI”	artificial intelligence;
“AIGC”	artificial intelligence generated content;
“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;
“Director(s)”	the director(s) of the Company;

“FIFPro”	Fédération International des Associations de Footballeurs Professionnels
“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;
“IP”	intellectual property;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LLM”	large language model
“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;
“UEFA Euro”	UEFA European Football Championship;

“US\$” United States dollars, the lawful currency of the United States of America; and

“%” per cent.

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

Hong Kong, 26 March 2024

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

Executive Directors:

Dr. ZHANG Lijun (*Chairman*)

Mr. PENG Xitao

Independent Non-executive Directors:

Mr. ZANG Dongli

Mr. ZHOU Jingping

Ms. LIU Haoming