疯狂体育集团
CRAZY SPORTS GROUP

CRAZY SPORTS GROUP LIMITED

(incorporated in Bermuda with limited liability)

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ANNUAL REPORT 2022

Enterprise Philosophy

Integrity *Loyalty*

Diligence *Commitment*

Our Mission

To Become a Leading Digital Sports Entertainment Group in China

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FINANCIAL PAGES

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Zhang Lijun *(Chairman)*
Mr. Peng Xitao *(Chief Executive Officer)*
Ms. Cheng Po Chuen

Independent Non-Executive Directors

Dr. Loke Yu (alias Loke Hoi Lam)
(retired on 26 May 2022)
Mr. Zang Dongli
Mr. Zhou Jingping
Ms. Liu Haoming

AUDIT COMMITTEE

Ms. Liu Haoming *(Chairman)*
(appointed as Chairman on 26 May 2022)
Dr. Loke Yu (alias Loke Hoi Lam) *(Chairman)*
(retired on 26 May 2022)
Mr. Zang Dongli
Mr. Zhou Jingping

NOMINATION COMMITTEE

Dr. Zhang Lijun *(Chairman)*
Dr. Loke Yu (alias Loke Hoi Lam)
(retired on 26 May 2022)
Ms. Cheng Po Chuen
Mr. Zang Dongli
Mr. Zhou Jingping
Ms. Liu Haoming *(appointed on 26 May 2022)*

REMUNERATION COMMITTEE

Mr. Zang Dongli *(Chairman)*
(appointed as Chairman on 26 May 2022)
Dr. Loke Yu (alias Loke Hoi Lam) *(Chairman)*
(retired on 26 May 2022)
Ms. Cheng Po Chuen
Ms. Liu Haoming *(appointed on 26 May 2022)*

ENVIRONMENT, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Peng Xitao *(Chairman)*
Ms. Cheng Po Chuen
Mr. Zang Dongli
Mr. Zhou Jingping
Ms. Liu Haoming

EXECUTIVE COMMITTEE *(established on 5 July 2022)*

Dr. Zhang Lijun *(Chairman)*
Mr. Peng Xitao
Ms. Cheng Po Chuen

AUTHORISED REPRESENTATIVES

Dr. Zhang Lijun
Mr. Chan Lap Chun Jason
(appointed on 1 January 2023)
Mr. Lam Yau Yiu *(retired on 1 January 2023)*

COMPANY SECRETARY

Mr. Chan Lap Chun Jason
(appointed on 1 January 2023)
Mr. Lam Yau Yiu *(retired on 1 January 2023)*

AUDITOR

BDO Limited
Registered Public Interest Entity Auditors

PRINCIPAL BANKERS

Bank of China
DBS Bank (Hong Kong) Limited

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North, Cedar House,
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REGISTERED OFFICE

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PRINCIPAL PLACES OF BUSINESS

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Chaoyang District,
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CORPORATE WEBSITE

www.ir.crazysports.com

STOCK CODE

00082

Chairman's Statement

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

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 unswerving 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

After 2022 Qatar World Cup, with full preparation and accumulated strengths, Crazy Sports' various businesses have successfully seized market opportunities. The following elaborates in detail the operation of each business area of the Group in 2022 and how we can make use of the opportunities to upgrade once again the sports entertainment ecosystem of Crazy Sports.

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" (球場風雲) and "Soccer Manager" (夢幻足球世界) 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

	For the year ended 31 December 2022 HK$'000	2021 HK$'000
Revenue	**703,455**	511,218
Cost of revenue	**(450,993)**	(282,050)
Gross profit	**252,462**	229,168
Other gains and losses	**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	**(1,113)**	(993)
Profit before income tax	**16,045**	140,493
Income tax credit	**1,679**	2,715
Profit for the year	**17,724**	143,208

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

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:

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

(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 digitial 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
	HK$'000	HK$'000
Net cash (used in)/generated from operating activities	**(4,438)**	88,000
Net cash used in investing activities	**(23,523)**	(119,494)
Net cash generated from financing activities	**19,293**	5,082
Net decrease in cash and cash equivalents	**(8,668)**	(26,412)
Effect of changes in foreign exchange rate	**5,635**	(2,414)
Cash and cash equivalents at beginning of year	**80,938**	109,764
Cash and cash equivalents at end of year	**77,905**	80,938

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 35 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 41 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.

PRINCIPAL RISKS AND UNCERTAINTIES

As the Group's core business operates on platforms based on the internet infrastructure in the PRC, the Group's businesses and prospects are subject to regulatory risk which is the principal risk. The Group is subject to the applicable PRC laws and regulations which regulate, including but not limited to, the licensing and operations of mobile games and applications. The Group will endeavor to implement control features so as to comply with new laws and regulations promulgated. It is exemplified by our measures to mitigate such risk as discussed in "B.6 Product Responsibility" section of the ESG Report of this Annual Report.

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 the share options scheme. The Group has granted share 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 the Directors and employees to upgrade their skills and knowledge on a regular basis.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

Executive Directors

Dr. ZHANG Lijun (張力軍博士), aged 59, holds a Doctoral degree in Economics and is the Chairman of the Board. He joined the Group in 2006. He is a Research Fellow at Stanford University and an advocate of "disruptive innovation". Dr. Zhang is the Chairman of China Asia-Pacific Economic Cooperation (APEC) Development Council, Vice Chairman of Internet Society of China (ISC), Vice President of China Netcasting Services Association (CNSA), Honorary Chairman of Bank of Asia, Honorary President of Beijing Internet Association, Chairman of Dubai CATV, and Senior Partner of CICC Qianhai Weiyi Fund. He was Chairman of the Board of the former CMGE Group, a company listed on NASDAQ. Dr. Zhang is an acclaimed entrepreneur and civil diplomat in China. With a strong innovative mind and industry leadership capabilities, he is one of the creators and leaders in China's communication and internet netcasting industry. Dr. Zhang is also a renowned strategic investor and well-connected in the international politics and commercial circles.

Mr. PENG Xitao (彭錫濤先生), aged 45, was appointed as an executive Director and the Chief Executive Officer of the Company on 1 January 2021. He is responsible for daily operation, management and planning of the Group. Prior to that, he was appointed as the Joint Chief Operations Officer of the Company in 2018. Mr. Peng holds a Master degree of Computer Application from Nankai University and has more than 20 years of experience in the internet and related industries. He worked at the Internet and E-commerce Department of China Unicom as an engineer, engaging in the maintenance and construction work of internet network. In 2012, he founded Yicai Yangguang* (溢彩陽光) as the Chief Executive Officer, and Lottery 365 under his leadership quickly emerged as the number one mobile customers product in terms of the number of users and market share in the mobile internet lottery sector in China. With its outstanding product features, Lottery 365 had received many prestigious awards for its product innovation and branding in the industry. In 2015, Mr. Peng founded Crazy Sports and served as the Chief Executive Officer. He pioneered the paid lottery information service platform — Crazy Red Insights which focus on providing lottery players with professional analyses and information services relating to football and basketball games, and such platform has quickly become a leader in the industry.

Ms. CHENG Po Chuen (鄭寶川女士), aged 51, joined the Group as the Chief Financial Officer of the Company in 2020 and was appointed as an executive Director on 18 April 2020. She is responsible for overseeing the financial and capital management of the Group. She has more than 27 years of experience in corporate finance advisory, investment banking and private banking. She joined the business consulting division of Arthur Anderson as an analyst upon graduation in 1994. She then worked for the investment banking arms of DBS Asia Capital, HSBC Investment Banking Asia and Macquarie Capital Asia in Hong Kong between 1997 and 2010 and her last position held was Managing Director, one of the Responsible Officers for the purpose of the SFO and one of the Principal Supervisors of the Sponsor under the Stock Exchange at Macquarie Capital Asia. In 2010, she joined UBS AG Wealth Management as Head of Corporate Advisory Group, Hong Kong and in 2014 became a Desk Head supervising client advisers, with last position held as Managing Director. Ms. Cheng holds a Bachelor of Business Administration degree in Accounting and Finance from The University of Hong Kong.

Independent non-executive Directors

Mr. ZANG Dongli (臧東力先生), aged 63, was appointed as an independent non-executive Director on 1 January 2021. He has about 40 years of experience in cultural and sport industries. He has been engaging in the development, advertising and fund-raising activities of national large-scale projects. He was responsible for the advertising, marketing and financing work of various large-scale projects, including the 11th Asian Games, the 7th National Games of the PRC, the 3rd Far East and South Pacific Games for the Disabled, the 21st Universiade and the 2008 Olympic Games in Beijing respectively. From 2007 to 2009, he served as the Head of the Market Development Department of Beijing International Media Center to provide services to the 2008 Olympic Games in Beijing, during which he was responsible for raising funds for the establishment of the Media Center and facilitated the cooperation with dozens of famous brands and enterprises in respect of fund raising and in-kind contributions. Thereafter, Mr. Zang worked as a Project Director of the Business Department of National Stadium Co., Ltd., responsible for the development of large-scale events and project fundraising for the National Stadium (Bird's Nest) until his retirement in early 2020.

Mr. ZHOU Jingping (周京平先生), aged 57, was appointed as an independent non-executive Director on 1 January 2021. He is currently a Managing Director of HeYi Group (和易集團) and a consultant of King & Wood Mallesons. Before his career in business, Mr. Zhou worked as a police officer for 35 years and was recognised as a National Outstanding Police Officer and won the Outstanding Central State Organization Youth Award. He used to serve as the Director of the Economic Crime Investigation Division of the Ministry of Public Security, Director of Political Department of Ministry of Public Security of Chongqing, and the Deputy District Head and Police Chief of the Public Security Bureau of the People's Government of Fuling District, Chongqing. He always focuses on the development of sports. During his tenure in Chongqing, he successfully organised various large-scale sports and culture events and exhibitions to promote the exchange of sports culture in China. Mr. Zhou holds a Master degree of Project Management from Yunnan University of Finance and Economics.

Ms. LIU Haoming (劉昊明女士), aged 35, was appointed as an independent non-executive Director on 1 January 2022. She has more than 9 years of work experience in the fields of accounting, auditing and financing. She started her career with a leading national accounting, tax and business consulting firm in Canada in January 2013 and currently serves as an Assurance Manager. Ms. Liu is a Chartered Professional Accountant in Canada, and she holds an Honours Bachelor of Commerce degree (major in Accounting) from Laurentian University, Canada.

Senior Management

Mr. LI Zhenyu (李震宇先生), aged 51, joined the Group in 2016, and was appointed as the Chief Risk Management Officer of the Company in February 2019. He is responsible for the Group's risk management, internal audits, legal affairs, and investment risk management. He has worked in the investment, risk management and other related fields for over 23 years, and has accumulated vast risk management experience. Prior to joining the Group, he had been Risk Management Vice President of Zhongying Commercial Factoring Co., Ltd. (中盈商業保理有限公司), and Risk Management Director at GOME Financial Holdings Investment Co., Ltd. (國美金控投資有限公司), Simsen International Corporation Limited (天行國際有限公司), Zhongji Investment Holding Group Co., Ltd. (中際投資控股集團有限公司) and other organisations. Mr. Li holds an Economics Bachelor degree from the College of Economics and Management of Northeast Forestry University, majoring in Accounts.

Mr. CHAN Lap Chun Jason (陳立駿先生), aged 32, is the Financial Controller and Company Secretary of the Company. He joined the Group in 2020. He holds a Bachelor of Business Administration degree in Accounting and Finance from The Hong Kong Polytechnic University. He is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Chartered Accountant of the Institute of Chartered Accountants in England & Wales. He has more than 10 years of experience in auditing, accounting, corporate governance and compliance issues in listed companies in Hong Kong. Before joining the Group, he acted as an audit manager in an international audit firm.

Mr. WEI Guilei (魏貴磊先生), aged 40, joined the Group in 2018, and was appointed as the Chief Operating Officer of the Company in January 2023. He has over 16 years of experience in publishing, operation and management of games and Internet application products in China. Mr. Wei founded Jiuyi Gaming (九藝游戲), a leisure game platform in China, in May 2008, which was later acquired by Microbeam (微屏軟件科技(上海)有限公司) (i.e. people78.cn (人民棋牌) under People's Daily Online). In 2012, he served as the director of the mobile business department of Yicai Yangguang (溢彩陽光), responsible for the promotion and operation of Lottery 365. Mr. Wei is also the co-producer of the Group's popular sports games including "Ace Soccer", "Dream Soccer" and "Soccer Manager". Mr. Wei holds a Master degree of Management from Renmin University of China.

Mr. SUN Yongjun (孫永軍先生), aged 37, joined the Group in 2018, and was appointed as the Chief Marketing Officer of the Company in January 2023. Mr. Sun worked for Tencent and People's Daily as a reporter and head of the sports commerce department. He has accumulated 15 years of experience in the field of marketing, media communication and sports business management. He participated in reporting, marketing and commercialized development of many global sports events such as the Beijing Summer Olympics, the South Africa World Cup, the London Summer Olympics and the Guangzhou Asian Games as a senior sportsman. In 2016, Mr. Sun co-founded Beijing Crazy Sports Management Company Limited, explored a new model of paid sports lottery information as the team leader and successfully developed Crazy Red Insights as the industry leader. Mr. Sun holds a Bachelor degree of Economics from Xi'an University of Finance and Economics.

Environmental, Social and Governance Report

OVERVIEW

The Group is pleased to present the 2022 Environmental, Social and Governance Report (this "Report") to demonstrate its strategic decisions and commitment fulfilment in corporate sustainability. The Group is a leading digital sports entertainment community operator in the PRC. The principal businesses of the Group include 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.

ABOUT THIS REPORT

This Report has been prepared in strict compliance with the requirements under the Environmental, Social and Governance Reporting Guide (the "Guide") set out in Appendix 27 to the Listing Rules, covering the principal businesses of the Group. The coverage includes places of operation and offices of the Group in Beijing and Hong Kong. The reporting period was from 1 January 2022 to 31 December 2022. Key performance indicators to be disclosed as required by the Guide were all addressed in the sections headed "Environmental Sustainable Development" and "Social Sustainability" of this Report. Apart from complying with the reporting principles of the Guide, this Report has made illustrations on our compliance with relevant laws and regulations. This Report is prepared in both English and Chinese versions and have been uploaded onto the website of the Group at www.ir.crazysports.com and the website of the Stock Exchange at www.hkexnews.hk. For details on corporate governance, please refer to pages 56 to 71 of this Annual Report.

STAKEHOLDER ENGAGEMENT

Stakeholders refer to groups and individuals significantly influencing or being influenced by the Group's businesses. The stakeholders of the Group include governments, regulatory authorities, shareholders, investors, directors, employees, customers, suppliers and the general public. We strongly believe that the construction of a consistent and effective communication channels with stakeholders is beneficial to the Group to comprehend sustainability issues concerned by stakeholders, so that we can provide suitable and effective responses and compile this Report in accordance with the issues essential to our stakeholders. Our communication activities with stakeholders during 2022 include:

Stakeholders	Communication activities
Shareholders Investors	Annual general meeting One-to-one or group investor conferences Non-deal investor roadshows Corporate websites
Directors Employees	Board meetings Staff trainings Exchange seminar
Customers Suppliers	Suppliers conferences Exhibitions in technology and games
Media The public	Management interviews by the media Routine press release and corporate news Corporate websites Complaint and enquiry telephone hotline and email

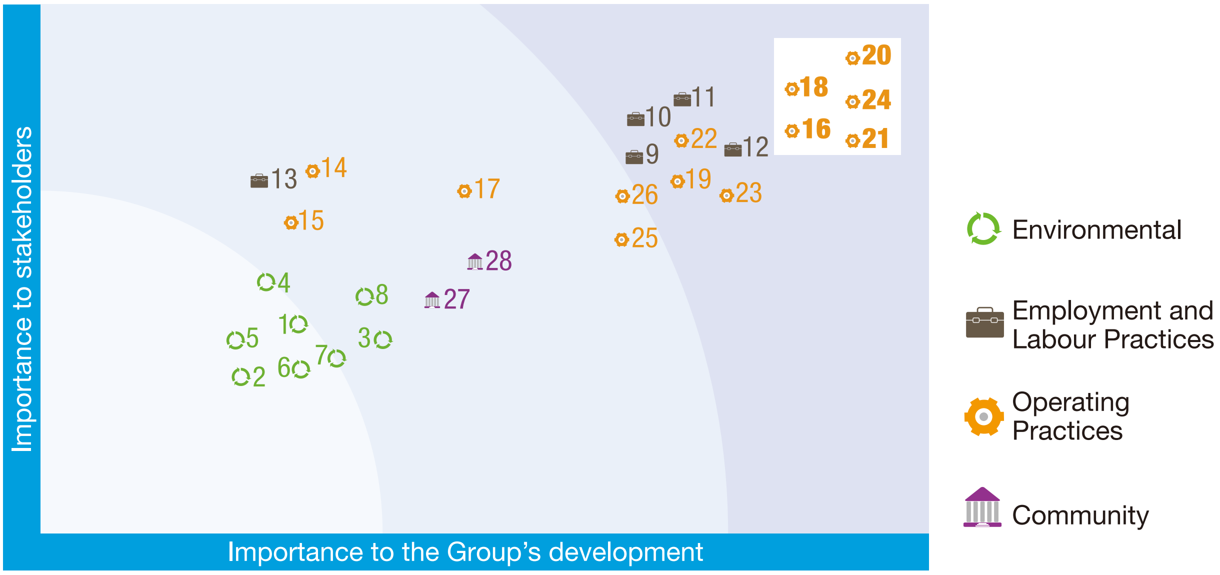
The Group welcomes stakeholders' opinions and feedback, especially on our sustainability effort and performance. Readers are also welcomed to share their valuable opinions with the Group via the following ways:

Address: Suites 3702-3, 37/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Telephone: (852) 2869 8966
Fax: (852) 2869 8960
Mailbox: ir@crazysports.com.hk

MATERIALITY ASSESSMENT

Different companies face different sustainability risks due to their unique business models. The Group had specifically delegated an independent sustainability consultant for materiality assessment on sustainability to identify the sustainability issues greatly concerned by the Group's stakeholders. The Group invited different types of stakeholders to participate in the survey prepared by the independent sustainability consultant. The invited stakeholders would select the most important option from a series of sustainability issues related to the businesses of the Group, thereby forming the materiality assessment matrix as set out below. This scientific materiality assessment facilitates the Group in identifying the priority in handling items of ESG issues as well as formulating and managing ESG strategies and initiatives more effectively.

Based on the results of the materiality assessment matrix, stakeholders identified the following five ESG issues that are the most important to the Group from 28 sustainability issues related to the Group:



1 Greenhouse gas emissions
2 Climate changes
3 Use of resources
4 Water consumption and sewage treatment
5 Land use, pollution and restoration
6 Solid waste treatment
7 Use of raw/packaging materials
8 Mitigation measures to protect environment and natural resources
9 Composition of employees
10 Employee remuneration and benefits
11 Employee occupational health and safety
12 Employee development and training
13 Prevention of child labor and forced labor
14 Responsible procurement
15 Supplier management
16 Healthy online game content
17 Impact on the society, health and safety of products/services
18 Customers satisfaction about products and services
19 Marketing and promotional strategies of products and services
20 Protection of intellectual property rights
21 Protection of customers information and privacy
22 Prevention of bribery, extortion, fraud and money laundering
23 Anti-corruption policies and whistle-blowing procedures
24 Responsible lottery
25 Cyber attack and fraud
26 Corporate governance
27 Support for local community
28 Public welfare and charity

BOARD PARTICIPATION

The Board is the highest governing body primarily responsible for the formulation of the Group's sustainability strategy. The Board regularly integrates the Group's sustainability objectives into its businesses, identifies and manages our sustainability risks and provides improvement recommendations. The ESG Committee was established by the Board to facilitate the Board in implementing sustainability policies and it regularly reports to the Board on performance of the Group's sustainability. The ESG Committee consists of the Chief Executive Officer, Chief Financial Officer and three independent non-executive Directors. It convened two meetings in 2022 and reviewed the Group's performance and important sustainability issues from the strategic and operational viewpoints, so as to ensure the Group's information disclosure related to sustainability complies with the requirements of the Guide.

BOARD STATEMENT

The Board is fully responsible for the ESG issues of the Group and their integration with the Group's strategy. The Board provides guidance on the management and monitoring of the ESG issues determined to be related to the Group. To ensure effective implementation of the Group's ESG initiatives, the Board requires the ESG Committee to report on a regular basis, reviews the list of material issues and risks, and ensures that appropriate risk mitigation measures are in place. All sustainability disclosures, policies, objectives and targets of the Group are reviewed and approved by the Board, while performance is evaluated on a regular basis. The Board has confirmed that it has reviewed the contents of this Report. If you have any questions on the contents of this Report, please feel free to give feedback and the Board will ensure such issues will be addressed properly.

A. ENVIRONMENTAL SUSTAINABLE DEVELOPMENT

This section primarily illustrates the Group's policies and key performance indicators of emissions, use of resources, environment and natural resources in 2022.

A.1 Emissions

The Group has minimal impact on the natural environment as its light asset and non-industrial business model does not directly emit large amounts of pollutants and hazardous waste. During 2022, the Group generated 8.96 kg of nitrogen oxides, 0.01 kg of sulphur oxides and 0.84 kg of particulate matter. During the same period, the total greenhouse gas emissions from the Group amounted to 99.65 tonnes of carbon dioxide equivalent.

Table 1: Amount of Various Types of Waste Gas Emissions in 2022

Gas	Unit	Amount of Emissions
Nitrogen oxides (NO_x)	kg	8.96
Sulphur oxides (SO_x)	kg	0.01
Particulate matter	kg	0.84

Table 2: Amount of Greenhouse Gas Emissions in 2022

Key Performance Indicator	Unit	Amount of Emissions	Intensity* (Unit/revenue per HK$ million)
Scope 1 (direct emissions)	tonnes of CO_2 equivalent	1.76	0.003
Scope 2 (indirect emissions)	tonnes of CO_2 equivalent	88.41	0.126
Scope 3 (other indirect emissions)	tonnes of CO_2 equivalent	9.48	0.013
Total	tonnes of CO_2 equivalent	99.65	0.142

**Note: Intensity is calculated based on the revenue of the Group for 2022 of HK$703.5 million.*

The greenhouse gases emitted by the Group are mainly attributable to the Scope 2 (indirect emissions) contained in the Guide. The largest consumption is the electricity used in daily office operations. The Scope 1 (direct emissions) of the Group as described in the Guide is mainly attributable to vehicles and gasoline used in performing the daily office duties of the Group. The Scope 3 (other indirect emissions) is attributable to paper used in daily office work. In order to reduce greenhouse gas emissions, the Group adopted various measures on energy saving and consumption reduction. For the details of the relevant measures, please refer to "A.2 Use of Resources" in this Report.

The Group's operations do not generate any hazardous waste. The other solid waste produced in the course of operations of the Group is mainly solid waste generated from daily office operations, including plastics, waste paper and daily life waste. The Group implemented a waste classification and recycling plan. We use recycling bins to separate solid waste, which is then delivered to recycling centers or waste treatment centers by a professional health service company for further disposal. Meanwhile, we have also reduced waste generation from the source. The Group has basically achieved paperless office, encourages employees to use electronic documents and make good use of electronic communications, so as to reduce paper usage. In addition, we also encourage employees to reuse old office equipment to reduce the habit of disposal after use.

Table 3: Amount of Non-Hazardous Waste Produced in 2022

Waste	Type	Unit	Amount of Emissions	Intensity* (Unit/revenue per HK$ million)
Non-hazardous waste	Office daily solid waste	kg	16,625	23.6

**Note: Intensity is calculated based on the revenue of the Group for 2022 of HK$703.5 million.*

A.2 Use of Resources

The Group has been strictly controlling the use of various resources in its operations, and initiated a series of internal control systems related to the procurement and use of natural resources. During 2022, the major resources consumed by the Group were electricity, water, petrol and paper. No packaging material is used for the Group's products.

Table 4: Amount of Various Types of Resources Used in 2022

Resources	Unit	Amount	Intensity* (Unit/revenue per HK$ million)
Electricity	kWh	92,544	131.5
Water	m^3	24,000	34.1
Petrol	liter	747	1.1
Paper	kg	458.5	0.7

**Note: Intensity is calculated based on the revenue of the Group for 2022 of HK$703.5 million.*

- Electricity

  The electricity consumption of the Group is mainly attributable to daily office operations. We believe that reduction in electricity consumption can reduce greenhouse gas emissions. We encourage employees to save electricity, educate them on energy conservation and emission reduction, and ensure that all employees comply with energy-saving measures. Meanwhile, we actively research the use of more environmentally friendly new technologies in business operations and operating procedures. The effective electricity consumption measures implemented by the Group are as follows:

  ✓ Posting environmental protection signs such as "Please turn off all lights after work" in prominent places of the office to remind employees to save electricity
  ✓ Promoting the use of energy-saving lighting systems such as LED
  ✓ Maintaining the indoor air-conditioning temperature at 25 degrees Celsius
  ✓ Checking whether electrical appliances are turned off regularly every day to prevent them from being left turned on
  ✓ Hiring professional maintenance experts regularly to repair and clean the air-conditioning system
  ✓ Purchasing products with energy efficiency labels

- **Water**

  The Group's water consumption is mainly attributable to daily office operations. We regularly emphasise the importance of water conservation to our employees and require them to save water. The measures include:

  ✓ Cutting off unnecessary water use from the source and regularly checking the water consumption of each office
  ✓ Posting "Water Conservation" promotional posters in prominent places
  ✓ Reminding employees to close the faucet tightly after using water
  ✓ In case of water leakage, repairing or replacing water facilities immediately

- **Petrol**

  The Group's use of petrol is mainly attributable to our office vehicles. We advocate the use of high-grade petrol to reduce the impact on the environment. Meanwhile, we purchase low-fuel consumption vehicles where possible and require employees to use public transportation where possible to reduce greenhouse gas emissions.

- **Paper**

  The Group's use of paper is mainly attributable to daily office operations. Reducing paper consumption is always our focus. We emphasise the effective use of paper. In addition to choosing and using environmentally friendly paper where possible, we also adopt the following measures to reduce paper consumption:

  ✓ Encouraging double-sided printing and making good use of both sides of the paper
  ✓ Using e-mails, internal networks and scanners where possible to send or store documents electronically
  ✓ Purchasing printing paper from environmentally friendly suppliers
  ✓ Using the electronic interface to promote the various businesses of the Group to users and reduce the consumption of paper materials

A.3 Environment and Natural Resources

Except for the resource consumption and emission issues discussed above, the Group's operations had no direct and significant impact on the environment and natural resources.

A.4 Climate Changes

Climate changes pose significant risks to the global economy and exert significant influence on the sustainability of all sectors. Rising temperatures and extreme weather are threatening our communities and business operations. The Group regularly reviews the impact of its daily operations on climate changes and is committed to adopting environmentally friendly operational measures to reduce greenhouse gas emissions and alleviate the pressure on global climate change. At the same time, we regularly assess the risks of climate changes to our operations and prepare scenario analyses to enhance our resilience to climate changes. In 2022, the ESG Committee identified climate related risks that may affect the Group's operations and financial position, which were included in a monitoring list. The following are the climate related risks that may affect the Group and the corresponding mitigation measures.

Climate Risks		Mitigation Measures
Physical Risks	Extreme weather caused by climate changes may lead to serious natural disaster events such as droughts, floods, severe hurricanes and wildfires, which may affect daily business operations	✓ Develop emergency measures that maintain normal business operations ✓ Commit to adopting environmentally friendly operational measures to reduce greenhouse gas emissions and alleviate pressure on global climate change
Transitional Risks	Governments and regulators of various countries implement more stringent corporate sustainability policies and information disclosure requirements	✓ Make changes and adaptations in daily business operations ✓ Regularly review and analyze the sustainability disclosure requirements of each place of operation and the international sustainability disclosure requirements ✓ Engage independent sustainability consultants to enhance the ESG disclosure and data collection procedures.

Looking forward, the Group will continue to closely monitor the global and China environmental protection policies and regulatory trends, and invest in environmental protection facilities as necessary to improve the Group's sustainability performance.

A.5 Sustainable Development Goal

After communicating with stakeholders, taking into consideration that business operations will be in high growth stage, the Group has set the 2025 sustainable development goals, aiming to maintain the intensity of greenhouse gas emission, hazardous/non-hazardous waste produced and various types of resources used at the level same as that of 2021. The Group generally achieved the sustainable development goals in 2022. To achieve such goals, we have, and will continue to adopt measures mentioned in this Report.

B. SOCIAL SUSTAINABILITY DEVELOPMENT

This section primarily illustrates the Group's policies and key performance indicators with respect to employment, health and safety, development and training, labor standards, supply chain management, product responsibility, anti-corruption and community investment of the Group in 2022.

B.1 Employment

The Group attaches great importance to the positive role of talents in corporate development, and carries out comprehensive construction of a mechanism for selecting, nurturing, employing and retaining talents, striving to create a fair, open, safe and healthy career platform for employees. The Group's human resources department, in accordance with the requirements as set out in the labor laws of the PRC and Hong Kong, strictly abides by the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China", the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases", the "Regulations on the Supervision and Administration of Occupational Health in the Workplace" and other applicable laws and regulations of the PRC.

Our employees are treated non-discriminatively with respect to recruitment, employment, training, promotion, remuneration, dismissal and retirement, irrespective of their gender, race, age, disability, family status, marital status, sexual orientation, religious beliefs, nationality or any other factors unrelated to work. We also attach great importance to the rights and interests of female employees, so that women have fair opportunities for promotion.

The Group is committed to attracting outstanding talents to join, and all employees are recruited in accordance with the principles of openness and fairness. We prepare our annual recruitment plan according to the needs of business development. During the process of signing a labor contract with a new employee, it shall be carried out on the basis of equality, voluntariness and negotiation of both parties. We provide all employees with the "Staff Handbook" to protect the rights and interests of employees. The Group strictly abides by the minimum wage requirements of its places of operation, and pays social insurance and retirement pensions for all employees. We set the working hours of employees in accordance with relevant laws. In addition to paid statutory holidays, employees also enjoy sick leave, maternity leave, paternity leave, marriage leave, funeral leave, etc.

In order to retain outstanding talents, the Group conducts employee performance appraisals every year, evaluates the work performance of employees, promotes high-performance and high-potential employees, and adjusts employee remuneration based on the results of the appraisal. Meanwhile, the Group established a clear dismissal system. According to the law and the Staff Handbook, employees are dismissed reasonably and legally, and any unfair or unreasonable dismissal is strictly prohibited.

During 2022, the Group was in full compliance with relevant laws and regulations regarding remuneration, dismissal, recruitment, promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, benefits and other employment-related issues that are material to the Group. We did not receive any complaints or involve in disputes concerning employment.

As of 31 December 2022, the number of employees of the Group was 133. During 2022, 34 employees resigned, representing an annual turnover rate of 25.6%. The relatively high employee turnover rate was mainly due to the Group's business transformation.

Table 5: Employees by Category as of 31 December 2022

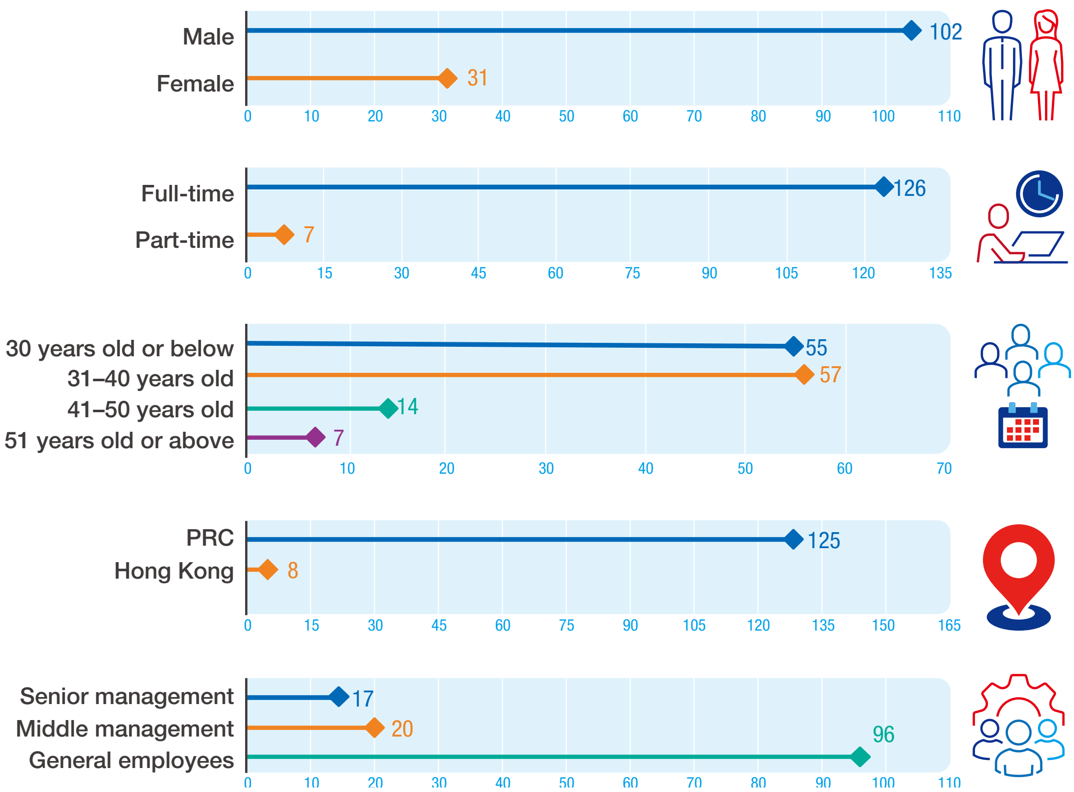
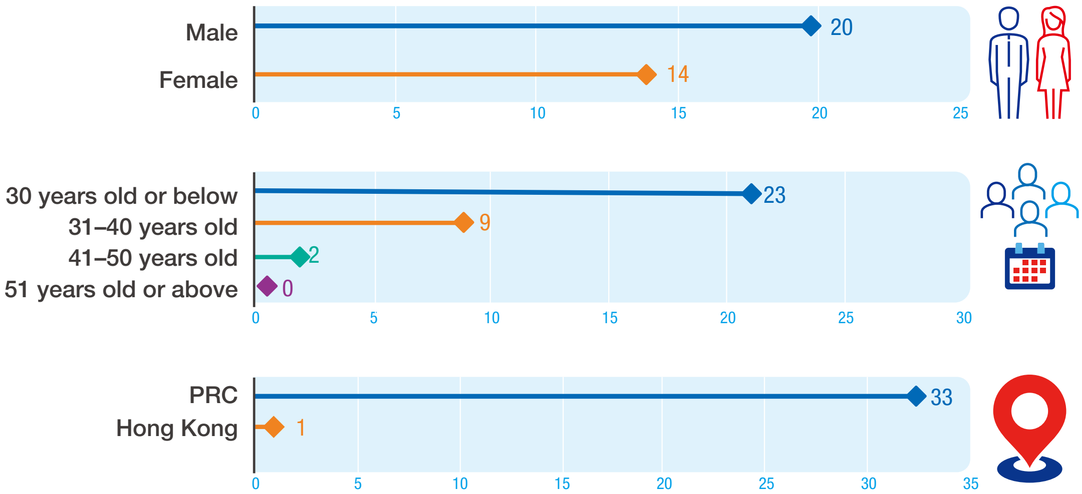


Table 6: Resigned Employees by Category in 2022



B.2 Health and Safety

The Group pledges to provide a safe and healthy working environment for all employees and thoroughly enforcing the PRC and Hong Kong laws and regulations relating to occupational health and safety. We have formulated various work health and safety measures, including the purchase of commercial medical and accident insurance, the provision of health check-ups for employees and safety guidelines for employee induction training, in order to enhance the safety awareness of our employees. In addition, we have introduced a humanistic and caring system, and organised regular corporate culture activities and regular employee medical check-ups. All of our offices are equipped with first aid kits to deal with any emergency situations, and we strive to create a clean, tidy, smokefree, non-toxic, non-hazardous, healthy and safe working environment for our employees.

During the past three years, the Group did not record any work-related fatalities and losses on working days in relation to work injuries resulted from industrial accidents. In 2022, the Group did not violate any laws and regulations in relation to occupational health and safety.

COVID-19 Pandemic

During 2022, the COVID-19 pandemic had been unstable and caused a certain degree of impact to the society and economy. The Group has been paying close attention to the impacts of pandemic developments on its business and stakeholders. We remain highly vigilant and have formulated the following contingency measures to protect the safety of our staff and all stakeholders:

- Real-time disclosure of information on the pandemic and various requirements and arrangements via the Group's WeChat and Weibo to strengthen the publicity of pandemic prevention and control knowledge after the resumption of work, so that employees can support and cooperate with the prevention and control work;

- Arranging for employees to receive COVID-19 vaccination in an orderly manner to reduce the risk of employee infection and protect employee health;

- Arranging for employees to work from home when necessary in accordance with the national pandemic prevention and control instructions, so as to reduce the risk of infection during work;

- Requiring employees to have their body temperature checked at the entrance each time they enter the company premises; minimising the entry of non-Group personnel into our company premises; strictly implementing temperature check, code scanning, checking trip codes, wearing masks and registering visitor information, if work contact is necessary;

- Provision of sanitiser, masks and disinfection supplies to each employee and taking disinfection measures in the office premises on a regular basis;

- Reducing employee gatherings and group activities and maintaining appropriate social distancing; reducing physical meetings and promoting video or teleconferencing; and

- Establishment of an isolation observation area. When employees show suspicious symptoms, they can go to the area for temporary isolation in a timely manner, and maintain ready communication with the local center for disease control and prevention for an effective response mechanism when cases appear.

- Free distribution of COVID-19 antigen test kits to employees to enable employees to carry out nucleic acid tests timely and at any time keep updated on their health conditions.

B.3 Development and Training

The Group attaches great importance to the positive role of talents in corporate development, and carries our comprehensive construction of a mechanism of selecting, nurturing, employing and retaining talents. We provide a full range of training programs for our employees to help them achieve their career development goals. All new employees must participate in induction training to understand the culture, organisational structure, strategy, and business processes of the Group. We arrange dedicated instructors to assess the performance of employees during the probation period, and continue to assist new employees to familiarise themselves with the work process of the Group during the 3 to 6 months after the probation period, so that they can quickly integrate into the work environment. Our business department will develop internal or external professional skills training according to the job needs of different positions. We have formulated a talent nurturing plan and strengthened cooperation with various colleges and universities to provide strong and powerful human resources for the sustainable and stable development of the Group.

In 2022, the Group provided an aggregate of 7,705 hours of training sessions to 133 staff members, and the average training time for each employee was 57.9 hours. The training topics consisted of active participation in online vocational training at the company level in response to the government recommendation and introduction of online training through the Beijing Vocational Skill Improvement Operational Management Platform. All of the Group's employees in PRC participated in the aforementioned platform. In addition, with the expansion of sports lottery retail outlets, the Group trained the staff of new outlets in 2022 in relation to aspects including sports lottery knowledge, equipment management, compliance operation and sales techniques to help the new practitioners master the knowledge of lottery sales and services, and improve the awareness of safety precautions, so as to eliminate any violations of the red line of compliance operation, adhere to conducting lottery sales services in a legal and compliant manner, and jointly build and maintain the brand image of national public welfare lottery.

Table 7: Training Hours of Employees by Category in 2022

	Senior management	Middle management	General employees	Total
Training time (by hours)	191	446	7,068	7,705
Number of employees	17	20	96	133
Average training time per employee (by hours)	11.2	22.3	73.6	57.9

	Male	Female
Training time (by hours)	5,890	1,815
Number of employees	102	31
Average training time per employee (by hours)	57.7	58.5

B.4 Labor Standards

The Group is fully aware that child and forced labor violate basic human rights. The Group strictly abided by the relevant laws and regulations of the PRC and Hong Kong, and prohibited any child labor and forced labor. When recruiting, we will require applicants to produce identification documents including ID cards, graduation certificates and employment history to ensure that the age and other personal information provided by them are correct and the employees are hired legally. In addition, we require all suppliers to strictly prohibit the use of any child labor or forced labor. If any violation of the laws and regulations on the employment of child labor or forced labor is found, the Group will issue a warning or even terminate the cooperation agreement. As a caring employer, the Group provides food allowances, birthday benefits, medical insurance and retirement plans, and arranges flexible working hours or work at home for employees who need to take care of their families.

During 2022, the Group has not violated any laws and regulations in relation to the prevention of child or forced labor.

B.5 Supply Chain Management

While strongly supporting sustainability, the Group also expects its suppliers to fulfill the same social responsibilities. We give priority to the most environmentally friendly and socially responsible suppliers, and strictly monitor the ESG performance of the overall supply chain.

The suppliers of the Group mainly provide product promotion and game R&D technical support and other services. We have formulated stringent supplier assessment procedures, and only make selections based on the price, services, quality and reputation of potential suppliers to prevent a conflict of interest and bribery. The Group takes every measure to prevent relevant employees from receiving personal interests from suppliers, and requires suppliers and relevant employees to declare their interests to avoid transfer of benefits. In addition, we have incorporated sustainability issues into our procurement and outsourcing process and required suppliers to strictly comply with key ESG principles.

During 2022, the Group cooperated with 251 suppliers, which are from the PRC, the United Kingdom, the United States of America, Spain, Brazil, Russia, Australia, Finland, Denmark, the Philippines, Slovakia and Austria.

B.6 Product Responsibility

The Group is committed to creating a healthy online gaming environment, and has been actively responding to regulatory changes and taking all measures to ensure that our online games comply with regulatory requirements, particularly with regard to the protection of underage users.

- In response to the "Notice on Further Strict Management to Prevent Minors from Becoming Addicted to Online Games of the National Press and Publication Administration", the Group, under the guidance of the Game Publishing Committee of the China Audio-video and Digital Publishing Association and the competent national authorities, has jointly issued the "Convention on Self-Discipline for the Prevention of Addiction in the Online Game Industry";

- Establishing a product self-examination task force composed of multiple departments, including technology, operation, distribution and public affairs, to strictly examine all game products and ensure that the implementation and improvement of the anti-addiction system is completed in the first instance;

- Completing the upgrade of the anti-addiction system of all game products, strictly implementing the inclusion of appropriate age reminders for games, limiting the duration of online game services, fully implementing real-name registration and log-in, and regulating and limiting user payments in accordance with national requirements;

- Actively carrying out parental guardianship projects and providing parents with channels such as customer service hotlines, game official accounts and customer service QQ for complaints and feedback from guardians of minors.

As a digital technology enterprise, the Group took the lead to extend the ESG strategies to the virtual reality. In this year's metaverse business, our attempts to set ethical standards that connect the virtual world with the real world and to actively promote the integration of real economy and virtual reality have provide a good example in the industry.

- In June 2022, the Group's digital collectibles platform Qiankun Digital Collectibles joined hands with Forest Angel Caring for Left Behind Children Social Welfare Organisation (森林天使關愛留守兒童公益組織) on a social welfare project of Forest Angel named "Ethnic School Uniforms On the Fly", under which we launched a series of welfare digital collectibles, with the aim to helping children in mountain areas to realize their dreams of wearing school uniforms. Such series of collectibles had five collections: "A Letter from a Child", "My Dream — Guarding the Frontier", "My Dream — Seafront", "My Aerospace Dream" and "My China Dream". These five collections could be combined into a "Ethnic School Uniforms" collectibles. Proceeds from the charity sale was donated to Forest Angel in the form of charity funds. Besides fulfilling the dreams of children in mountain areas to wear school uniforms, the "Ethnic School Uniforms on the Fly" social welfare project promotes the costume culture of minority groups, assists the protection and revival of the diversification of ethnic culture, helps left-behind women in remote mountain areas to participate in the production of ethnic school uniforms, as well as promote local economic development and solve issues regarding left-behind children.

- In June 2022, Qiankun Digital Collectibles joined hands with Atour Hotel (亞朵酒店) to recreate the "Angels who heal Shanghai (援滬天使)" pandemic prevention commemorative cards digital collectibles. Such collectibles recorded the historical moments of 61 hotels and 7220 rooms of Atour Hotel participating in Shanghai's pandemic prevention campaign, and paid tributes to the "Most Adorable Persons (最可愛的人)" in the new era. To express gratitude to and commemorate the healthcare professionals for their efforts in helping Shanghai during the pandemic, "Qiankun Digital Collectibles" specially launched the "Angels who heal Shanghai" digital collectibles and dedicated them to the healthcare professionals who lived in Atour Hotel, and it also combined with offline activities allowing all healthcare staff to enjoy the benefits of Atour Gold Membership.

The Group fully understands the social responsibility of operating the sports lottery business. Therefore, we specially formulated the "Responsible Lottery" to regulate our product responsibilities in the sports lottery business. As one of the key service providers of China Sports Lottery Administration Centre, the Group actively puts the sports lottery spirit of "Responsibility, Integrity, Solidarity and Innovation" advocated by the sports lottery into practice. We continue to closely work and communicate with various stakeholders including government, customers, employees, communities and non-governmental organisations to develop and implement the best measures to promote responsible gaming.

- Emphasising on integrating the construction of responsible lottery into the daily operation of lottery business for promoting a continuous and healthy development of lottery point of sales. We strive to focus on safe production, asset inspection and safety in sales, thereby ensuring the safe and stable operation of sports lottery services;

- Rigorous review of the locations of our lottery retail outlets to ensure that they are located outside of 200 meters of schools;

- Displaying “Minors under 18 years old are prohibited from buying lottery tickets” signs in prominent positions in lottery outlets, emphasising on regulating the marketing and promotion;

- Actively advocating rational lottery buying with a view to creating a healthy and excellent lottery buying environment;

- Implementing standardised lottery announcement process to demonstrate the “fair, just and open” spirit and strengthen the credibility and transparency of sports lottery;

- Training lottery practitioners with regard to sports lottery knowledge, equipment management, compliance operation, sales skills and other aspects, insisting on legal and compliance sales, and jointly building and maintaining the brand image of the national public welfare lottery.

As a digital sports entertainment community operator, the Group collects plenty of users’ personal data in its daily business operations. Therefore, we pay special attention to user data security and privacy protection. We are committed to reducing related risks by establishing professional network security systems and a privacy protection department. We have adopted a variety of measures and technologies that are in line with industry standards to store user data, and significantly limit the number of employees who can access to the servers to prevent data leakage, misuse, tampering or damages, including:

- Encrypted transmission through network secure layer technology (SSL);
- Encrypted storage of personal data;
- Restricted access to data center;
- Use of private network channel;
- Network proxy; and
- Password-controlled server.

We only allow employees who have to use the relevant private data to access or modify user data after passing the identity verification process. Meanwhile, we require them to comply with the confidentiality agreement, and if they fail to do so, they will be held legally liable or fired. In addition, we have established the “Crazy Sports Personal Data Protection Agreement”. Users of products of the Group are required to pass real-name authentication, and we clearly inform users of the content of user information that may be collected, only collect the minimum amount of necessary data from users to avoid collecting irrelevant private data, and specify the retention period of user data. We also actively enhance the security awareness of users, including reminding them to be cautious about sharing their private data and to set strong personal password, to reduce the risk of data leakage. In case of any personal data leakage, we would follow the established internal procedures to ensure that the concerned users and the public are informed of the case in a timely manner, so that they can take timely remedies according to our suggestions to reduce losses.

The Group is engaged in the creative industry. Hence, we attach great importance to the protection of intellectual property. The “Staff Handbook” stipulates that any invention, creation, compilation, software, technology, trade secret or other forms of intellectual property created by any employee by using any of the Group’s resources shall belong to the Group. Such creations shall also be the confidential information of the Group, and the relevant employees must abide by the confidentiality agreement and must not disclose it to the public. We also respect the intellectual property rights of the other companies. If others’ creations need to be used, our employees must ensure that the relevant procedures or applications have been carried out according to legal requirements and shall not infringe on the rights of the others. All of the software and information the Group uses are provided with legal licenses, and the Group refuses to use any products or services that violate copyright or intellectual property rights.

In order to establish a sound and mutual relationship with customers, the Group has established a comprehensive customer complaint handling process, which is handled by the customer service department. Customer service representatives will patiently handle complaints and requests from customers, and will also record effective feedback from customers to help improve product experience. Our “Dispute Resolution System” fully establishes the approaches for handling various opinions and complaints, maintains fairness, and ensures that the staff has a basis for dealing with the relevant issues. If any malicious use of accounts, false accusations, fraud or other misconducts are found, we will also regulate those incompliant users by following the handling approach set out in the “Dispute Resolution System”, such as issuing warnings, imposing speech restrictions and account suspensions. The Group strongly opposes users conducting any offline transactions, such as purchase and sales of accounts, equipment and game currency, and we would not handle any losses incurred by any user arising therefrom. The customer service department establishes user antiaddiction reminders and proactively prompts users who found to be spending a lot of money not to get addicted to games or buy lottery tickets when communicating with users.

In 2022, the Group received a total of 141 complaints from customers and the complaints resolution rate was 100%. The Group had no product sold being recalled for the same period. We did not violate any laws and regulations regarding product liability, intellectual property rights and data privacy.

B.7 Anti-corruption

The Group believes that a business operation based on integrity forms the basis of corporate social responsibility. We strictly comply with all laws and regulations in relation to anti-corruption and antibribery in the PRC and Hong Kong. We have zero tolerance to any form of corruption. The rules and codes in relation to anti-corruption in the "Staff Handbook" are more stringent than the requirements of laws and regulations. The Group will stop and handle any violations immediately once discovered. Employees who violate the law will never be tolerated and be handed over to the judicial authorities. Our internal audit department is responsible for monitoring the work of each department, and an email address of whistle-blowing shenji@fengkuang.cn was set up. Employees are encouraged to provide constructive feedback on company management issues, including the reporting of corruption and abuse. We provide regular training to our Directors and employees on business ethics and corruption prevention. In 2022, the Group provided to Directors and employees with a total of 143 hours of anti-corruption related training.

During 2022, the Group did not receive any corruption lawsuits against the Group or its employees. Meanwhile, the Group and its employees were not in violation of any of the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering.

B.8 Community Investment

The Group attaches great importance to participating in community building and leverages our resources to contribute to society. We pay special attention to fostering employees' awareness of social responsibility, and encourage them to voluntarily participate in charitable community activities and actively help the needy ones in the society. In early 2022, the fifth wave of COVID-19 pandemic in Hong Kong was severe. The Company actively participated in anti-pandemic work and donated HK$320,000 to a Hong Kong charity — Knowledge Association (知識之友會). The Company jointly organized the "Caring our Neighbors, Fighting the Virus Together (關愛鄰里 同心抗疫)" activity with Knowledge Association and other organizations, such as Jordan Neighborhood (佐住里) and Mongkok District Yin Ngai Society (旺角區賢毅社), to donate anti-pandemic supplies to grassroot families with difficulties. On 6 March 2022, the anti-pandemic donation ceremony was held in Jordan, Kowloon, and anti-pandemic gift packages were donated to residents in subdivided flats, ethnic minorities, and cleaning workers in the district. Volunteers, by car and in person, sent those packages to grassroot families on that day, which benefitted 1,000 families in need.

On 18 August 2022, responding to the nation's strategy of becoming a sports powerhouse, Crazy Sports sponsored the 16th National Fitness & Sports Festival — Table Tennis Competition (第十六屆全民健身體育節乒乓球比賽) of Nanmofang Area, Chaoyang District of Beijing for 2022. Nearly 200 table tennis lovers of 30 representative teams from various communities, enterprises, and member units of the coordination committee for the construction of the Communist Party in Nanmofang Area, Chaoyang District of Beijing gathered at the competition. Yu Yang (於洋), former coach of China's national table tennis men's team and currently head coach of International Table Tennis Federation "Dream Building Projects" (築夢計劃), started off the game for the competition.

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Corporate Governance Report

A. CORPORATE GOVERNANCE PRACTICES

Corporate governance is the structure of roles, practices, and processes used to direct and manage a business ensuring that a company's objectives are met and evolves with each business and operating environment. The Company is committed to high standards of corporate governance and recognises that good governance is vital for the long-term success and sustainability of Company's businesses. The Company is also committed to ensuring that its affairs are conducted in accordance with high ethical standards so that the Shareholders' interest will be maximised in the long-term and that its employees, business partners, communities and stakeholders will all benefit. The Board is committed to and regularly enhancing the Company's corporate governance practices to ensure high standards of ethics are maintained with the balancing of returns to the Shareholders.

The CG Code contained in Appendix 14 to the Listing Rules sets out (a) the mandatory requirements for disclosure in Corporate Governance Report; and (b) the principles of good corporate governance, the code provisions on a "comply or explain" basis and certain recommended best practices.

The Company had complied with all the code provisions set out in the CG Code throughout the year ended 31 December 2022.

B. BOARD OF DIRECTORS

Corporate Culture

As a leading digital sports entertainment community operator in China, the Group instils a corporate culture of openness, inclusiveness, embracing innovation and sustainability. The Board sets the tone and shapes the corporate culture of the Company, which is underpinned by the core values of acting lawfully, ethically and responsibly across all levels of the Group. The Board plays a leading role in defining the purpose, values and strategic direction of the Group and in fostering a culture that is forward looking, change embracing and competitiveness focused. The desired culture is developed and reflected consistently in the operating practices of the Group, workplace policies and practices as well as relations with stakeholders. Board oversight of culture encompasses a range of measures and tools over time, including workforce engagement, employee retention and training, stringent financial reporting, effective and accessible whistleblowing framework, legal and regulatory compliance (including compliance with the Code of Conduct and group policies), as well as staff safety, wellbeing and support. Taking into account the corporate culture in a range of contexts, the Board considers that the culture and the purpose, value and strategy of the Group are aligned.

Corporate Strategy

The principal objective of the Company is to enhance long-term total return for all its stakeholders. To achieve this objective, the Group focuses on achieving recurring and sustainable earnings, cash flow and dividend growth without compromising the Group's financial strength and stability. The Group executes disciplined management of revenue growth, margin and earnings. As a leading digital sports entertainment community operator 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' 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 + Sports Games" as its core pathway to materialise its digital sports strategy. The Chairman's Statement and the Management Discussion & Analysis contained in this Annual Report include discussions and analyses of the Group's performance, the basis on which the Group generates and preserves value in the longer term and delivers the Group's objectives. Further information on the sustainability initiatives of the Group and its key relationships with stakeholders can also be found in the Environmental, Social and Governance Report contained in this Annual Report.

Board Composition

The Company recognises that Board independence is key to good corporate governance. As part of the established governance framework, the Group has in place effective mechanisms (including but not limited to the annual meeting between the chairman of the Board and the independent non-executive Directors, the appointment of at least three independent non-executive Directors in the Board and at least one-third of the Board members are independent non-executive Directors, the assessment of the independence of the independent non-executive Directors in accordance with the Listing Rules, annual independence confirmation received by the Company from the independent non-executive Directors and external independent professional advise is available at the Directors' request with the Company's expense) that underpin a strong independent Board and that independent views and input from Directors are conveyed to the Board. The governance framework and mechanisms are kept under regular review to align with international best practice, ensuring their effectiveness.

The Board currently has six members, comprising three executive Directors and three independent non-executive Directors. Collectively, they bring a broad range of commercial, financial, technology, management and stewardship experiences and varied skills, expertise and qualifications for leading and directing the Group's affairs. The composition of the Board and the Directors' biographical details and other information are set out in the "Directors and Senior Management" section of this Annual Report. The roles and functions of the Directors are published on the respective websites of the Stock Exchange and the Company.

Appointment and Re-election of Directors

Any Director appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of a filling a casual vacancy) or until the next following Annual General Meeting (in the case of an addition to their number) and shall then be eligible for re-election at that meeting. In accordance with the Bye-laws which conform to the requirements of the Listing Rules, one-third of Board members are required to retire by rotation each year at the Annual General Meeting provided that every Director shall be subject to retirement at least once every three years. Directors, who retire, if eligible, may offer for re-election at the same Annual General Meeting.

Role and Responsibility of the Board

The management and control of the business of the Company ultimately rests with the Board. The Board sets long term direction and objectives and oversees the management's plans and strategies for the delivery of results. The Board may delegate its responsibilities or functions to board committees and the day-to-day operation to management and ensures appropriate human and financial resources are appropriately applied and that the performance for the achievement of results is evaluated periodically. The Board approves all significant transactions and publication including annual reports, interim reports, circulars and announcements. In cases where Shareholders' approvals are required, the Board resolves to convene the necessary Shareholders' meetings to seek Shareholders' approval. Every Director is committed to carrying out his/her duty in good faith and acting honestly with due diligence, skill and care and in the best interest of the Company and the Shareholders at all times.

The Board is accountable to Shareholders for the long-term sustainable success of the Company. It is responsible for shaping and overseeing the corporate culture, setting and guiding the long-term strategic objectives of the Company with appropriate focus on value creation and risk management, directing, supervising and monitoring the managerial performance and operating practices of the Group to ensure they align with the desired culture. It also ensures ongoing effective communication with Shareholders and engagement with key stakeholders as it develops the purpose and values of the Company. Directors are charged with the task of promoting the long-term sustainable success of the Company and making decisions in the best interests of the Company with due regard to sustainability considerations.

The Board, led by the Chairman of the Board, fosters and oversees the culture, determines and monitors group-wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the senior management of the Company. The senior management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer of the Company, and putting in place mechanisms for ensuring that the desired culture of the Company is understood and shared at all levels of the Group

Board Meetings and Attendance of Directors

All Board and committee meetings adhere to a formal agenda set in advance for consideration/ resolution. All Directors may arrange to include matters on the agenda for consideration at Board meetings. Board materials are provided in advance of the meetings and detailed minutes are prepared and made available to all Directors.

Pursuant to the Bye-laws, a Director who to his/her knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his/her interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he/she knows his/her interest then exists, or in any other case at the first meeting of the Board after he/ she knows that he/she is or has become so interested. A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board approving any contract or arrangement or proposal in which he or any of his/her associate(s) has/have a material interest, and if his/her shall do so, his/her vote shall not be counted (nor shall be counted in the quorum for that resolution). Questions arising at any meeting of the Board shall be decided by a majority of votes.

All Directors have confirmed that they have given sufficient time and attention to the affairs of the Group for the year. In addition, Directors disclose to the Company in a timely manner their other commitments, such as directorship in other public listed companies and major appointments as well as update the Company on any subsequent changes.

The Directors play an active role in participating the Company's meetings through contribution of their professional opinions and active participation in discussion. The attendance record of each of the Directors for the Board meetings, the board committees meetings and the general meetings held during the year is listed as follows:

	Number of Meetings Attended/Meetings Entitled to Attend					
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	ESG Committee Meeting	General Meeting
Executive Directors						
Dr. Zhang Lijun	7/7	N/A	N/A	1/1	N/A	2/2
Mr. Peng Xitao	7/7	N/A	N/A	N/A	2/2	2/2
Ms. Cheng Po Chuen	7/7	N/A	3/3	1/1	2/2	2/2
Independent non-executive Directors						
Dr. Loke Yu (alias Loke Hoi Lam) *(Note 1)*	3/3	1/1	1/1	1/1	N/A	2/2
Mr. Zang Dongli *(Note 2)*	7/7	3/3	3/3	1/1	2/2	2/2
Mr. Zhou Jingping	7/7	3/3	N/A	1/1	2/2	2/2
Ms. Liu Haoming *(Note 3)*	7/7	3/3	2/2	N/A	2/2	2/2

Notes

(1) *Retired by rotation as an independent non-executive Director and the roles as the chairman of the Audit Committee and the Remuneration Committee and the Member of the Nomination Committee with effect from the conclusion of the 2022 AGM.*

(2) *Appointed as the chairman of the Remuneration Committee with effect from the conclusion of the 2022 AGM.*

(3) *Appointed as the chairman of the Audit Committee and the member of the Remuneration Committee and the Nomination Committee with effect from the conclusion of the 2022 AGM.*

Continuing Professional Development

Each newly appointed Director has received comprehensive, formal and tailored induction on appointment so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities under the Listing Rules, legal and other regulatory requirements. The Company provides regular updates to the Directors relating to the Group's business and the business and regulatory environments in which the Group operates.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During 2022, the Directors had attended seminars and/or training sessions, and had read materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements. The Board considered the continuous professional development participated and undertaken by the Directors are sufficient to discharge their duties. The table below summarises the participation of each of the directors in continuous professional development during the year ended 31 December 2022:

Name of Directors	Participated in continuous professional development *Note*
Executive Directors	
Dr. ZHANG Lijun	✓
Mr. Peng Xitao	✓
Ms. Cheng Po Chuen	✓
Independent non-executive Directors	
Mr. Zang Dongli	✓
Mr. Zhou Jingping	✓
Ms. Liu Haoming	✓

Note: Attended training/seminar/conference arranged by the Company or other external parties or read relevant materials.

The Directors have access to the advice and services of the Company Secretary and if necessary, have recourse to external professional advice at the Company's expense. Also, the Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Chairman and Chief Executive Officer

The CG Code requires the roles of Chairman and Chief Executive Officer be separated and not performed by the same individual to ensure there is a clear division of responsibilities between the running of the Board and the executives who run the business.

In accordance with the Bye-laws, the Board members elect among themselves a Director to be the Chairman. Dr. Zhang Lijun has been the Chairman since 8 December 2006. He is responsible for providing leadership to the Board in terms of establishing policies and business directions. Mr. Peng Xitao was appointed as Chief Executive Officer of the Company since 1 January 2021. He is responsible for daily operation, management and planning of the Group. The division of responsibilities between the Chairman and the Chief Executive Officer have been clearly established.

The Chairman had held one meeting with all independent non-executive Directors in the absence of executive Directors. Except for a general exchanges of ideas among the Directors, no specific or other issues had been raised or discussed as it had been concluded that all issues which would be discussed had been properly dealt with in the meetings of the Board.

Non-executive Directors

The Company believes that the independent non-executive Directors comprise a good mix of professional and business executives who have significant exposure to the business and accounting environment of Hong Kong and the PRC. The Board believes that such a group is ideally qualified to provide independent advice and guidance to the Board, to serve on the board committees and to act as independent stewards of the Company for the interests of the Shareholders.

During the year, the Company had complied with Rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of at least three independent non-executive Directors including at least one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise. In addition, the Company also complied with Rule 3.10A of the Listing Rules that the number of independent non-executive Directors represents at least one-third of the Board.

The Board evaluates the independence of all independent non-executive Directors on an annual basis and has established the practice of requesting written confirmation from each independent non-executive Director regarding his/her independence. The Company has received from each independent non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Board considers them to be independent.

The independent non-executive Directors have each entered into a service agreement with the Company for a specific term of three years, and they are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Bye-laws.

Company Secretary

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman and is responsible for advising the Board on corporate governance matters.

During the year, Mr. Lam Yau Yiu, the company secretary of the Company, has confirmed that he has taken no less than 15 hours of relevant professional training. Mr. Lam Yau Yiu retired from the position of the company secretary of the Company and Mr. Chan Lap Chun Jason, the financial controller of the Company has been appointed as the company secretary of the Company, both with effect from 1 January 2023.

Directors’ Securities Transactions

The Company has adopted the Model Code as the code of conduct for securities transactions and dealings, which applies to all the relevant persons as defined in the Model Code, including the Directors, any employee of the Company, or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment or involvement, are likely to come into contact or be in possession of unpublished price sensitive information in relation to the Company or its securities. Specific enquiry has been made of all the Directors who have confirmed their compliance with the required standards set out in the Model Code during the year.

Specific enquiry has been made of all the Directors who have confirmed their compliance with the required standards set out in the Model Code during the year.

Directors’ and Officers’ Liabilities Insurance

The Company has arranged appropriate insurance cover for directors’ and officers’ liabilities in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group.

Board Committees

To assist the Board in execution of its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee, Remuneration Committee, Nomination Committee, Environment, Social and Governance Committee and Executive Committee. Written terms of reference of the aforesaid committees are in line with the Corporate Governance Code.

Audit Committee

The Audit Committee currently comprises all three independent non-executive Directors, namely, Ms. Liu Haoming (the chairman) (appointed as chairman with effect from the conclusion of the 2022 AGM), Mr. Zang Dongli and Mr. Zhou Jingping.

The Audit Committee provides the Board with advice and recommendations on accounting, reporting, internal control and risk management matters and acts as a formal liaison channel for review, communication and problem resolution between the Company and its auditors. The Audit Committee members collectively hold the relevant commercial, industry, financial and auditing experience necessary for the Audit Committee to function effectively and independently.

The Audit Committee’s primary functions include:

- to recommend to the Board on the appointment and terms of engagement of the external auditor;

- to review and monitor the appropriateness of accounting policy, accounting practices, financial reporting and disclosure and the application of judgment and estimates related thereto;

- to review the Company's annual and interim reports and any opinion expressed by the external auditor;
- to ensure the Company's practices and procedures with respect to related party transactions are adequate for compliance with the requirements under the Listing Rules and applicable laws and regulations;
- to review with the external auditor issues raised in the external auditor's management letter, queries or similar communications;
- to monitor the external auditor's independence and objectivity, and the effectiveness of the audit process in accordance with applicable standards; and
- to assure that adequate internal controls including financial, operational, compliance controls, risk management and internal audit plan are in place and followed.

Three Audit Committee meetings were held during the year and the attendance of each member is set out in the section headed "Board Meetings and Attendance of Directors" of this report. During the year, the Audit Committee reviewed the audited financial statements for the year ended 31 December 2021 and the unaudited interim financial statements for the six months ended 30 June 2022 with recommendations to the Board for approval. It also reviewed risk management, internal control system and internal audit plan of the Group, and discussed with the management and the external auditors the accounting policies and practices which may affect the Group and financial reporting matters. The Audit Committee has also actively participated at the full Board or any independent board committees formed from time to time for the purpose of advising the independent Shareholders of transaction(s) which require their input or contributing their independent views in the areas of business, financial, management and operating practices.

Remuneration Committee

The Remuneration Committee currently comprises two independent non-executive Directors, namely, Mr. Zang Dongli (the chairman) (appointed as chairman with effect from the conclusion of the 2022 AGM) and Ms. Liu Haoming (appointed with effect from the conclusion of the 2022 AGM), and one executive Director, namely, Ms. Cheng Po Chuen.

For determining the remuneration packages of the executive Directors and senior management, the Remuneration Committee has adopted the model that it shall perform an advisory role to the Board, with the Board retaining the final authority to approve the service contracts of the executive Directors and remuneration packages of the executive Directors and senior management. It recommends to the Board on the Company's policy and structure for all remuneration of the Board members and senior management, on the establishment of a formal and transparent procedure for developing policy on such remuneration and to determine specific remuneration packages for the Directors and senior management of the Company.

Three Remuneration Committee meetings were held during the year and the attendance of each member is set out in the section headed "Board Meetings and Attendance of Directors" of this report. During the year, the Remuneration Committee reviewed the remuneration policy, structure and packages for Directors and senior management; assessed the performance of the executive Directors; made recommendations to the Board for the grant of 16,000,000 Share Options to certain employees of the Group, where such grant was made prior to the amendments of Chapter 17 of the Listing Rules taking effect in January 2023; and remunerations adjustment for certain Directors and senior management.

The Company has adopted a remuneration policy which is summarised as below:—

1. the level of remuneration should be appropriate to attract, retain and motivate the Directors and employees of the Group to run the Company successfully but companies should avoid paying more than is necessary for this purpose;

2. a significant proportion of executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance;

3. in setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Director and employee of the Group; and

4. individual Director would not be involved in deciding his/her own remuneration.

Nomination Committee

The Nomination Committee currently comprises two executive Directors, namely, Dr. Zhang Lijun (the chairman) and Ms. Cheng Po Chuen and three independent non-executive Directors, namely, Mr. Zang Dongli, Mr. Zhou Jingping and Ms. Liu Haoming (appointed with effect from the conclusion of the 2022 AGM).

The Nomination Committee is responsible for formulating and reviewing the nomination and Board's diversity policy, reviewing the size, structure and composition of the Board, and making recommendations to the Board on nominations, appointment of Directors and Board succession with adequate consideration to the Board's diversity policy. The Company endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective. The Nomination Committee adopts certain criteria to assist in its evaluation including but not limited to the candidate's gender, age, cultural and educational background, professional experience, business background, his past responsibility, exposure to the business environment in which the Group operates and intends to be engaged in and his experience including directorship or senior management level involvements with other entities, and his contribution or achievement to the Group. The Nomination Committee also assesses the independence of the independent non-executive Directors.

The Company has adopted a nomination policy which is summarised as below:

1. committed to maintaining its diversity within the Board, and confirms that its policy of non-discrimination in the selection of Directors;

2. regularly assess the Board's current and projected strengths and needs by, among other things, reviewing the Board's current profile, its Directors' qualifications and the Company's current and future needs;

3. adopts certain criteria to assist in its assessment or evaluation which included the candidate's academic, professional and business background, his/her past responsibility, exposure to the business environment in which the Group operates and intends to be engaged in and candidate's experience including directorship or senior management level involvements with other entities, and candidate's contribution or achievement to the Group; and

4. use any process it deems appropriate for the purpose of evaluating candidates which include, without limitation, personal interviews, background checks, written submissions by the candidates and third party references.

A Nomination Committee meeting was held during the year and the attendance of each member is set out in the section headed "Board Meetings and Attendance of Directors" of this report. During the year, the Nomination Committee reviewed the nomination policy of Directors, the nominations of Directors, the composition of the Board, the Board's diversity policy, the independence of the independent non-executive Directors and the re-election of all the retiring Directors at the 2022 AGM.

ESG Committee

The ESG Committee currently comprises two executive Directors, namely, Mr. Peng Xitao (the chairman) and Ms. Cheng Po Chuen, and three independent non-executive Directors, namely, Mr. Zang Dongli, Mr. Zhou Jingping and Ms. Liu Haoming.

The primary functions of the ESG Committee are:

- to give recommendations about the Group's ESG strategies and identify significant ESG risks and opportunities;

- to monitor the effectiveness of ESG risk management;

- to monitor the ESG performance of the Group to ensure its compliance with legal, regulatory and investors' requirements and recommend to the Board;

- to review the ESG report;

- To develop and review the Company's policies and practices on corporate governance in compliance with legal and regulatory requirements;

- reviews the disclosure systems of the Company and introducing relevant principles concerning corporate governance so as to enhance the standard of corporate governance of the Company; and

- to take actions to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the Listing Rules or any applicable law.

Two ESG Committee meetings were held during the year and the attendance of each member is set out in the section headed "Board Meetings and Attendance of Directors" of this report. During the year, the ESG Committee reviewed the policies and practices on ESG and corporate governance of the Group, approval of the ESG report and corporate governance report for 2021; reviewed the training and continuous professional development of the Directors and the senior management of the Company; and adoption of the anti-corruption policy and whistleblowing policy for the Group.

Executive Committee

The Executive Committee currently consists of three executive Directors, being Dr. Zhang Lijun (the chairman), Mr. Peng Xitao and Ms. Cheng Po Chuen. The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee.

The Executive Committee will meet as and when necessary to discuss the operating affairs of the Group and may also deal with matters by way of circulation. The Executive Committee is mainly responsible for undertaking and supervising the day-to-day management and is empowered to formulate and implement policies for human resources and administrative matters of the Group and to make such amendments thereto from time to time as the Executive Committee may think fit.

Board Diversity

The Company recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage.

The Nomination Committee is mandated to formulate the Board's diversity policy for the Board's approval and review and assess its policy regularly.

A summary of the terms of the Board's diversity policy are as follows:

- to achieve diversity of the Board through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience;

- to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective;

- the Nomination Committee has primary responsibility for identifying suitably qualified candidates to become member(s) of the Board and, in carrying out this responsibility, will give adequate consideration to the Board's diversity policy; and

- the Nomination Committee will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

Gender diversity of the Board stands at a relatively high level (33.3%, 2 females out of 6 Directors) amongst companies listed on Stock Exchange. The Board places tremendous emphasis on diversity (including gender diversity) across all levels of the Group.

The overall gender diversity of the Group is balanced. To support diversity across all facets, beyond gender, including race and ethnicity, disability, LGBTQ+, social mobility and age, the Group is enhancing diversity and inclusion efforts through employee networks, mentoring programmes, equitable hiring practices, policies and awareness raising events and training for all employees to support inclusive behaviours. Further details on the gender ratio of the Group can be found in the 2022 ESG Report contained in this Annual Report.

C. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

Financial Reporting

The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospects. The Directors acknowledge that they are responsible for overseeing the preparation of accounts for each financial period, which give a true and fair view of the state of affairs of the Company and of the Group and of the Group's results and cash flow for that period. In preparing the accounts for the year ended 31 December 2022, the Directors have, among other things:

- selected suitable accounting policies and applied them consistently;

- approved adoption of all Hong Kong Financial Reporting Standards; and

- made judgments and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

The auditor's respective responsibilities to the Shareholders in respect of the financial statements are included in the "Independent Auditor's Report" section of this Annual Report.

Risk Management and Internal Control

The Board is entrusted with the overall responsibility for establishing and maintaining effective risk management internal control system for the Group and overseeing the risk management internal control system through the Group's internal audit department. The management of the

Group is delegated with the responsibility from time to time to implement and maintain the Board's policies on risk management and internal control. Such risks include, amongst others, material risks relating to ESG. Detailed procedures are developed by management for major business units. The Group's risk management and internal control system is designed to provide cost-effectiveness and reasonable protection, which safeguards the Group's assets and maintains the integrity of the accounting and reporting systems. The Group emphasises the appointment of qualified, experienced and capable individuals to carry out critical control functions and has put in place a system for effective segregation of key duties and responsibilities. The Board and the Audit Committee periodically evaluate major controls and risks and where necessary, retain external professional services to evaluate or seek improvements to the risk management and internal control system. The Board is delegated to ensure the adequacy of resources, staff qualification and experience, training programmes and budget of the Group's accounting, internal audit, financial reporting functions, as well as those relating to the Group's ESG performance and reporting. The Board has also adopted anti-corruption policy and whistleblowing policy, which are conducive to setting a healthy corporate culture and good corporate governance practices. The policies are available on the website of the Company.

The Group's internal audit department reviews our significant risk management and internal control measures on an on-going basis, aiming to monitor all our major businesses periodically. Overall, the internal audit aims to provide the Board with reasonable assurance that the Group's risk management and internal control system is effective. During the year, the Audit Committee had reviewed effectiveness of the risk management and internal control systems of the Group on behalf of the Board. The review covered all material control areas including financial, compliance and risk management functions. The management of the Group has provided a confirmation to the Board on the effectiveness of these systems. Based on the results of the review and the confirmation, the Board is satisfied that the Group has maintained sound and adequate risk management and internal controls in all major areas.

Disclosure of Inside Information

The Group acknowledges its responsibilities under the SFO and the Listing Rules that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and disseminating inside information are as follows:

— the Group conducts its affairs with strict compliance with the disclosure requirement under the Listing Rules and the "Guideline on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong;

— the Group has implemented its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcement and its website; and

— the Group has strictly prohibited any unauthorised use of confidential or inside information.

Audit and Related Fees

During the year, the fees paid or payable to the Group's external auditor BDO Limited were as follows:

Audit service	HK$1,250,000
Non-audit services	HK$200,000

D. SHAREHOLDERS' RIGHTS

Right to Convene a Special General Meeting

Pursuant to the Bye-laws, special general meetings shall also be convened on requisition as provided by the Companies Act of Bermuda. The Directors, notwithstanding anything in the Bye-laws shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the Company, and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. A meeting convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors.

Right to Put Enquiries to the Board

Shareholders may send their enquiries and concerns to the Board with contact details as below:—

Investor Relations
Crazy Sports Group Limited
Suites 3702-3, 37/F, Tower Two,
Times Square,
1 Matheson Street,
Causeway Bay,
Hong Kong

Telephone: (852) 2869 8966
Fax: (852) 2869 8960
E-mail: ir@crazysports.com.hk

Upon receipt of the enquiries, the staff of the investor relations department will consider the concern proposed and raise it to the Company Secretary.

Right to Put Forward Proposals at General Meetings

Pursuant to the Companies Act of Bermuda, any number of members of the Company representing not less than one-twentieth of the total voting rights of all the members having at the date of the requisition a right to vote at the meeting to which the requisition relate or not less than one hundred members of the Company may deposit a written requisition to put forward proposals.

The Company shall then give to members of the Company entitled to receive notice of the next Annual General Meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; circulate to members entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

E. SHAREHOLDERS ENGAGEMENT

The Company attaches great priority to open and effective communications with its shareholders and potential investors on the development of the Company. The Company has established a shareholders' communication policy and reviews it on a regular basis to ensure its effectiveness. The Board is satisfied that the shareholders' communication policy has been properly implemented during 2022 and is effective.

The Company maintains a website through which the Company's updated financial information, announcements, circulars, notices of meetings, press releases and contact details can be accessed by its shareholders and investors. The Board believes that the Company's website provides an alternative means for the investing public to obtain information of the Company in a convenient and timely manner.

The Directors regard all meetings with the Shareholders to be very important as they offer opportunities for direct communication with the Shareholders. When appropriate, presentations would be made at general meetings for the purposes of keeping Shareholders informed of corporate developments. The chairman of the Board and the chairmen of the Audit Committee, Remuneration Committee, Nomination Committee, ESG Committee as well as the Company's auditor provided an opportunity for a dialogue with the Shareholders during the last special general meeting and last Annual General Meeting held on 22 March 2022 and 26 May 2022, respectively.

In addition, key executives of the Company also participate in conferences and forums with the objective of promoting investor and stakeholder interests in the Group's businesses.

Dividend Policy

The Company endeavours to enhance returns on Shareholders' investment by way of, inter alia, distribution of dividends. The Board adopted a dividend policy on 22 March 2019 to enhance transparency on such and to provide guidance to Shareholders and investors in their investment decisions.

According to the dividend policy, the Board will consider a number of factors in deciding whether any dividend will be declared and the amount thereof. The factors include, but not limited to:

1. the prevailing and expected financial results of the Group;

2. the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;

3. the Company's business operation strategy, including expected working capital requirements, capital expenditure requirements and future expansion plans;

4. the Company's liquidity position;

5. retained earnings and distributable profit reserves of the Company;

6. the contractual restrictions on the payment of dividends imposed by the Company's lenders and other institutions, if any; and

7. any other factors that the Board considers to be applicable from time to time.

The Company does not have any pre-determined dividend distribution proportion or ratio.

The declaration, payment and amount of dividends will be subject to the Board's discretion. The Board will review the dividend policy on a regular basis.

F. CONSTITUTIONAL DOCUMENTS

The Bye-laws are published on the respective websites of the Stock Exchange and the Company. During the year, there was no change in the Company's constitutional documents.

Directors' Report

The Directors are pleased to present this Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The principal business activity of the Company is investment holding. The Group is a leading digital sports entertainment community operator in China. It is 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 PRC (the "Digital sports entertainment business")

The business review of the Group for the year ended 31 December 2022, as well as further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the "Management Discussion and Analysis" set out on pages 7 to 26 of this Annual Report. The discussions forms part of this Directors' Report.

Details of the Company's principal subsidiaries and associates at 31 December 2022 are set out in notes 32 and 18 to the consolidated financial statements, respectively.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 111 to 215 of this Annual Report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022.

The dividend policy of the Company is set out on page 71 of this Annual Report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 216 of this Annual Report. This summary is for information only and does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2022 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and Share Options during the year, together with explanations thereof, are set out in notes 26 and 29 to the consolidated financial statements respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the consolidated financial statements and page 115 of this Annual Report respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company did not have any distributable reserves (2021: Nil). The Company's share premium account in the amount of HK$1,771,496,000 (2021: HK$1,771,496,000) may be distributed in the form of fully paid bonus shares.

MAJOR SUPPLIERS AND CUSTOMERS

Our customer is defined as any paying user who purchases in-game currency, in-game virtual items or premium features of our games and applications. If a paying user makes a payment in our games on two publishing platforms or two different games, the paying user would be considered as two separate paying users and so on and so forth. Furthermore, the Company only has access to the total sum of the payments made by paying users through third-party distribution platforms, without further breakdown. Customers also include (a) third-party game operators with whom we licensed our games to for publishing our games in other geographic regions in consideration of license fees and royalties; (b) game developers/operators whom we provided publishing services in return for service fees; and (c) lottery centres whom we provided sales services of lottery tickets.

During the year ended 31 December 2022, so far as the Company is aware, the revenue attributable to our five largest customers accounted for less than 10% of our revenue for the year. Purchases from the Group's five largest suppliers accounted for approximately 72.7% of the Group's total purchases for the year and purchase from the largest supplier accounted for approximately 46.9% of the Group's total purchases for the year.

Save as disclosed in this Annual Report and so far as the Directors are aware, none of the Directors, or any of his/her close associates or shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the year and up to the date of this Annual Report have been:

Executive Directors:

Dr. Zhang Lijun *(Chairman)*
Mr. Peng Xitao
Ms. Cheng Po Chuen

Independent Non-Executive Directors:

Dr. Loke Yu (alias Loke Hoi Lam) (retired on 26 May 2022)
Mr. Zang Dongli
Mr. Zhou Jingping
Ms. Liu Haoming

In accordance with the Bye-laws, at each Annual General Meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company or until the next following Annual General Meeting and shall then be eligible for re-election at that meeting.

DIRECTORS (Continued)

Mr. Peng Xitao and Mr. Zhou Jingping shall retire from office by rotation. Mr. Peng Xitao and Mr. Zhou Jingping, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting ("2023 AGM").

The Company has received from each independent non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Board considers them to be independent.

CHANGES IN INFORMATION WITH REGARDS TO DIRECTORS

The change in the information of Directors, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is as follows:

Change in Director's Emolument

Pursuant to the amended Director's service agreement entered into between Dr. Zhang Lijun, the Chairman of the Board, and the Company, he is entitled to the Director's emolument of HK$12,600,000 per annum, with effect from 1 October 2022. The Director's emolument was determined by the Board as recommended by the Remuneration Committee with reference to the prevailing market conditions.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has entered into any service contract, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

SHARE OPTION SCHEMES

2022 Scheme and 2012 Scheme

On 26 May 2022, the Shareholders at the AGM approved the 2022 Scheme. The 2012 Scheme expired on 30 April 2022 and no further Share Options shall be offered under the 2012 Scheme. Share Options which had been granted during the life of the 2012 Scheme shall continue to be valid and exercisable until lapse. As at 31 December 2022, a total of 77,500,000 outstanding Share Options were granted under the 2012 Scheme.

Under the 2022 Scheme, the Directors may, at their discretion, invite any eligible participants to take up Share Options to subscribe for Share(s). The exercise price for the Share Options shall be determined in accordance with the 2022 Scheme and the relevant provisions of the Listing Rules.

SHARE OPTION SCHEMES (Continued)

2022 Scheme and 2012 Scheme (Continued)

The 2022 Scheme is effective for the period from 30 May 2022 to 29 May 2032. The total number of Shares which may be allotted and issued upon exercise of all Share Options (excluding Share Options which have lapsed in accordance with the terms of the 2022 Scheme) to be granted under the 2022 Scheme must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the 2022 Scheme provided that, inter-alia, the Company may seek approval of the Shareholders at general meeting to refresh the limit of 2022 Scheme. The maximum number of Shares which may be allotted and issued upon exercise of all outstanding Share Options granted and yet to be exercised under the 2022 Scheme and the 2012 Scheme shall not exceed 30% of the share capital of the Company in issue from time to time.

A summary of the principal terms of the 2022 Scheme is given below:

(I) *Purpose of the 2022 Scheme:*
The purpose of the Share Option Scheme is to enable the Group to grant Share Options to the eligible participants as incentives or rewards for their contribution to the Group.

(II) *Participants of the 2022 Scheme:*
The Directors may, in accordance with the provisions of the 2022 Scheme, at their absolute discretion invite any person belonging to any of the following classes of participants to take up Share Options to subscribe for Shares:

a. any employee, executive (including any executive Director but excluding any non-executive Director), manager, consultant or proposed employee, manager, consultant of the Company, any of its subsidiaries, any Holding Company or any Invested Entity;

b. any non-executive Directors (including independent non-executive Directors), any Subsidiary, any Holding Company or any Invested Entity;

c. any supplier of goods or services to any member of the Group or any Holding Company or any Invested Entity;

d. any customer of the Group or any Holding Company or any Invested Entity;

e. any person or entity that provides research, development or other technological support to the Group or any Holding Company or any Invested Entity;

f. any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

SHARE OPTION SCHEMES (Continued)

2022 Scheme and 2012 Scheme (Continued)

(II) Participants of the 2022 Scheme: (Continued)

g. any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Holding Company or any Invested Entity; and

h. any joint venture partner or business alliance that co-operates with any member of the Group or any Holding Company or any Invested Entity in any area of business operation or development.

(III) Total number of Shares available for issue under the 2022 Scheme and percentage of issued share capital it represents as at the date of this Annual Report:

The total number of Shares available for issue under the 2022 Scheme was 436,613,544 Shares after the subsequent grants of Share Options, representing approximately 9.65% of the issued share capital as at the date of this Annual Report.

(IV) Maximum entitlement of each participant under the 2022 Scheme:

The total number of Shares issued and which may fall to be issued upon exercise of the Share Options (including both exercised or outstanding Share Options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being unless it is approved by Shareholders at general meeting of the Company with such grantee and his associates abstaining from voting. Where any grant of Share Options to a substantial Shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be allotted and issued upon exercise of all Share Options already granted and to be granted (including Share Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the Shares in issue; and (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million; such further grant of Share Options must be approved by Shareholders at general meeting of the Company.

(V) The period within which the Share Options may be exercised by the grantee under the 2022 Scheme:

The period within which the Share Options may be exercised will be specified by the Company at the time of grant. This period shall not be more than 10 years from the relevant date of grant.

(VI) The vesting period of the Share Options granted under the 2022 Scheme:

The Company may specify any vesting period for which an Share Option must be held before it can be exercised at the time of grant of the Share Options. The 2022 Scheme does not stipulate either a minimum period for which a Share Option must be held or any performance targets a grantee is required to achieve before a Share Option can be exercised. The Board may however specify in the offer of grant of a Share Option the minimum period, if any, for which a Share Option must be held or performance targets, if any, that must be achieved before the Share Option can be exercised.

SHARE OPTION SCHEMES (Continued)

2022 Scheme and 2012 Scheme (Continued)

(VII) The amount payable on application or acceptance of the Share Option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:

A nominal consideration of HK$1.00 is payable on acceptance of the grant of a Share Option within such time specified in the offer (which shall be within 10 business days from the date of the grant).

(VIII) The basis of determining the exercise price of Share Options granted:

The exercise price under the 2022 Scheme shall be a price determined by the Directors but shall not be less than the highest of:

a. the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trades in one or more board lots of shares on the date of the offer of grant which must be a business day;

b. the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trades in one or more board lots of shares for the five business days immediately preceding the date of the offer of grant which must be a business day; and

c. the nominal value of a Share.

(IX) The remaining life of the 2022 Scheme:

The life of the 2022 Scheme is 10 years commencing from 30 May 2022.

SHARE OPTION SCHEMES (Continued)

Share Options were granted by the Company during the year ended 31 December 2022 under the 2022 Scheme. Details of the movement of the Share Options for the year ended 31 December 2022 are set out below and in note 29 to the consolidated financial statements.

2022

	Number of Shares issuable under Share Options							
	At beginning of year	Granted during the Period (note vii)	Exercised during the Period	Lapsed during the Period	Reclassification (note i)	At end of year	Exercise price HK$	Exercise period
Executive Directors								
Dr. Zhang Lijun								
– on 19 March 2021	1,000,000	–	–	–	–	1,000,000	1.120	19/03/2021 to 18/03/2026
	1,000,000	–	–	–	–	1,000,000		
Mr. Peng Xitao								
– on 19 March 2021	2,000,000	–	–	–	–	2,000,000	1.120	19/03/2021 to 18/03/2026
	2,000,000	–	–	–	–	2,000,000		
Ms. Cheng Po Chuen								
– on 30 March 2020	15,000,000	–	–	–	–	15,000,000	0.385	30/03/2020 to 29/03/2023
– on 5 October 2020	10,000,000	–	–	–	–	10,000,000	0.385	05/10/2020 to 04/10/2025
– on 19 March 2021	2,000,000	–	–	–	–	2,000,000	1.120	19/03/2021 to 18/03/2026
	27,000,000	–	–	–	–	27,000,000		
Sub-total	30,000,000	–	–	–	–	30,000,000		

SHARE OPTION SCHEMES (Continued)

2022 (Continued)

	Number of Shares issuable under Share Options							
	At beginning of year	Granted during the Period (note vii)	Exercised during the Period	Lapsed during the Period	Reclassification (note i)	At end of year	Exercise price HK$	Exercise period
Independent non-executive Directors								
Dr. Loke Yu (alias Loke Hoi Lam)								
– on 5 July 2019	1,000,000	–	–	–	(1,000,000)	–	0.385	05/07/2019 to 04/07/2022
– on 5 October 2020	500,000	–	–	–	(500,000)	–	0.385	05/10/2020 to 04/10/2025
	1,500,000	–	–	–	(1,500,000)	–		
Mr. Zang Dongli								
– on 30 March 2020	3,000,000	–	–	–	–	3,000,000	0.385	30/03/2020 to 29/03/2023
	3,000,000	–	–	–	–	3,000,000		
Mr. Zhou Jingping								
– on 5 October 2020	3,000,000	–	–	–	–	3,000,000	0.385	05/10/2020 to 04/10/2025
	3,000,000	–	–	–	–	3,000,000		
Sub-total	7,500,000	–	–	–	(1,500,000)	6,000,000		–
Employee participants								
– on 5 July 2019	36,690,000	–	–	(36,690,000)	–	–	0.385	05/07/2019 to 04/07/2022
– on 30 March 2020	1,500,000	–	–	–	–	1,500,000	0.385	30/03/2020 to 29/03/2023
– on 5 October 2020	29,000,000	–	–	(1,000,000)	–	28,000,000	0.385	05/10/2020 to 04/10/2025
– on 19 March 2021	4,000,000	–	–	–	–	4,000,000	1.120	19/03/2021 to 18/03/2026
– on 5 July 2022 *(note vi)*	–	16,000,000	–	–	–	16,000,000	0.570	05/07/2022 to 04/07/2027
Sub-total	71,190,000	16,000,000	–	(37,690,000)	–	49,500,000		
Service providers *(note ii)*								
– on 5 July 2019	10,000,000	–	–	(10,000,000)	–	–	0.385	05/07/2019 to 04/07/2022
– on 30 March 2020	3,000,000	–	–	–	–	3,000,000	0.385	30/03/2020 to 29/03/2023
– on 19 March 2021	1,000,000	–	–	–	–	1,000,000	1.120	19/03/2021 to 18/03/2026
Sub-total	14,000,000	–	–	(10,000,000)	–	4,000,000		

SHARE OPTION SCHEMES (Continued)

2022 (Continued)

	Number of Shares issuable under Share Options							
	At beginning of year	Granted during the Period (note vii)	Exercised during the Period	Lapsed during the Period	Reclassification (note i)	At end of year	Exercise price HK$	Exercise period
Others *(note iii)*								
– on 5 July 2019	2,000,000	–	–	(3,000,000)	1,000,000	–	0.385	05/07/2019 to 04/07/2022
– on 5 October 2020	3,500,000	–	–	–	500,000	4,000,000	0.385	05/10/2020 to 04/10/2025
Sub-total	5,500,000	–	–	(3,000,000)	1,500,000	4,000,000		
Total	128,190,000	16,000,000	–	(50,690,000)	–	93,500,000		

Notes:

(i) *Dr. Loke Yu retired from the position of independent non-executive Director on 26 May 2022. Accordingly, his Share Options are reclassified from "Independent non-executive Directors" category to "Others" category.*

(ii) *The "Service providers" consists of consultants were appointed by the Company to provide strategy development advice for the development of the Group and to introduce potential business partners to the Group.*

(iii) *The "Others" category consists of former Directors.*

(iv) *During the year ended 31 December 2022, none of the participant with Share Options granted and to be granted in excess of the 1% individual limit and none of the related entity participant or service provided with Share Options granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of Shares in issue.*

(v) *2022 Scheme was effective from 30 May 2022. The number of Share Options available for grant under the scheme mandate of the 2022 Scheme at the beginning of the year was Nil and at the end of the year was 436,613,544, respectively.*

(vi) *2012 Scheme was expired on 30 April 2022. The number of Share Options available for grant under the scheme mandate of the 2012 Scheme at the beginning of the year was 273,339,526 and at the end of the year was Nil, respectively.*

(vii) *For the 16,000,000 Share Options granted on 5 July 2022, the closing price of the shares immediately before the date of granted was HK$0.305 per share.*

(viii) *16,000,000 shares may be issued in respect of the options granted under the 2022 Scheme during the year ended 31 December 2022, representing approximately 0.35% of the total number of issued shares of the Company as at 31 December 2022.*

Additional information in relation to the 2022 Scheme and for the Share Options granted during the year ended 31 December 2022 are set out in note 29 to the consolidated financial statements.

SHARE OPTION SCHEMES (Continued)

2021

	Number of Shares issuable under Share Options							
	At beginning of year	Granted during the Period	Exercised during the Period	Lapsed during the Period	Reclassification (note i)	At end of year	Exercise price HK$	Exercise period
Executive Directors								
Dr. Zhang Lijun								
– on 25 January 2018	2,000,000	–	(2,000,000)	–	–	–	0.229	25/01/2018 to 24/01/2021
– on 19 March 2021	–	1,000,000	–	–	–	1,000,000	1.120	19/03/2021 to 18/03/2026
	2,000,000	1,000,000	(2,000,000)	–	–	1,000,000		
Ms. Wang Chun								
– on 25 January 2018	3,000,000	–	–	–	(3,000,000)	–	0.229	25/01/2018 to 24/01/2021
	3,000,000	–	–	–	(3,000,000)	–		
Mr. Ji Qiang								
– on 5 July 2019	3,000,000	–	–	–	(3,000,000)	–	0.385	05/07/2019 to 04/07/2022
– on 5 October 2020	3,000,000	–	–	–	(3,000,000)	–	0.385	05/10/2020 to 04/10/2025
	6,000,000	–	–	–	(6,000,000)	–		
Mr. Peng Xitao								
– on 19 March 2021	–	2,000,000	–	–	–	2,000,000	1.120	19/03/2021 to 18/03/2026
	–	2,000,000	–	–	–	2,000,000		
Ms. Cheng Po Chuen								
– on 30 March 2020	15,000,000	–	–	–	–	15,000,000	0.385	30/03/2020 to 29/03/2023
– on 5 October 2020	10,000,000	–	–	–	–	10,000,000	0.385	05/10/2020 to 04/10/2025
– on 19 March 2021	–	2,000,000	–	–	–	2,000,000	1.120	19/03/2021 to 18/03/2026
	25,000,000	2,000,000	–	–	–	27,000,000		
Sub-total	36,000,000	5,000,000	(2,000,000)	–	(9,000,000)	30,000,000		

SHARE OPTION SCHEMES (Continued)

2021 (Continued)

	Number of Shares issuable under Share Options							
	At beginning of year	Granted during the Period	Exercised during the Period	Lapsed during the Period	Reclassification (note i)	At end of year	Exercise price HK$	Exercise period
Independent non-executive Directors								
Dr. Loke Yu (alias Loke Hoi Lam)								
– on 25 January 2018	750,000	–	(750,000)	–	–	–	0.229	25/01/2018 to 24/01/2021
– on 5 July 2019	1,000,000	–	–	–	–	1,000,000	0.385	05/07/2019 to 04/07/2022
– on 5 October 2020	500,000	–	–	–	–	500,000	0.385	05/10/2020 to 04/10/2025
	2,250,000	–	(750,000)	–	–	1,500,000		
Prof. Gong Zhankui								
– on 25 January 2018	750,000	–	–	–	(750,000)	–	0.229	25/01/2018 to 24/01/2021
– on 5 July 2019	1,000,000	–	–	–	(1,000,000)	–	0.385	05/07/2019 to 04/07/2022
– on 5 October 2020	500,000	–	–	–	(500,000)	–	0.385	05/10/2020 to 04/10/2025
	2,250,000	–	–	–	(2,250,000)	–		
Mr. Wang Linan								
– on 25 January 2018	750,000	–	–	–	(750,000)	–	0.229	25/01/2018 to 24/01/2021
– on 5 July 2019	1,000,000	–	–	–	(1,000,000)	–	0.385	05/07/2019 to 04/07/2022
– on 5 October 2020	500,000	–	–	–	(500,000)	–	0.385	05/10/2020 to 04/10/2025
	2,250,000	–	–	–	(2,250,000)	–		
Mr. Zang Dongli								
– on 30 March 2020	–	–	–	–	3,000,000	3,000,000	0.385	30/03/2020 to 29/03/2023
	–	–	–	–	3,000,000	3,000,000		
Mr. Zhou Jingping								
– on 5 October 2020	–	–	–	–	3,000,000	3,000,000	0.385	05/10/2020 to 04/10/2025
	–	–	–	–	3,000,000	3,000,000		
Sub-total	6,750,000	–	(750,000)	–	1,500,000	7,500,000		

SHARE OPTION SCHEMES (Continued)

2021 (Continued)

	Number of Shares issuable under Share Options							
	At beginning of year	Granted during the Period	Exercised during the Period	Lapsed during the Period	Reclassification (note i)	At end of year	Exercise price HK$	Exercise period
Employees								
– on 25 January 2018	–	–	–	(3,000,000)	3,000,000	–	0.229	25/01/2018 to 24/01/2021
– on 5 July 2019	42,000,000	–	(5,310,000)	–	–	36,690,000	0.385	05/07/2019 to 04/07/2022
– on 30 March 2020	2,000,000	–	(500,000)	–	–	1,500,000	0.385	30/03/2020 to 29/03/2023
– on 5 October 2020	29,500,000	–	(500,000)	–	–	29,000,000	0.385	05/10/2020 to 04/10/2025
– on 19 March 2021	–	4,000,000	–	–	–	4,000,000	1.120	19/03/2021 to 18/03/2026
	73,500,000	4,000,000	(6,310,000)	(3,000,000)	3,000,000	71,190,000		
Others *(note ii)*								
– on 25 January 2018	–	–	–	(1,500,000)	1,500,000	–	0.229	25/01/2018 to 24/01/2021
– on 5 July 2019	20,000,000	–	(13,000,000)	–	5,000,000	12,000,000	0.385	05/07/2019 to 04/07/2022
– on 30 March 2020	6,000,000	–	–	–	(3,000,000)	3,000,000	0.385	30/03/2020 to 29/03/2023
– on 5 October 2020	3,000,000	–	(500,000)	–	1,000,000	3,500,000	0.385	05/10/2020 to 04/10/2025
– on 19 March 2021	–	1,000,000	–	–	–	1,000,000	1.120	19/03/2021 to 18/03/2026
Sub-total	29,000,000	1,000,000	(13,500,000)	(1,500,000)	4,500,000	19,500,000		
Total	145,250,000	10,000,000	(22,560,000)	(4,500,000)	–	128,190,000		

Notes:

(i) Ms. Wang Chun and Mr. Ji Qiang resigned as executive Directors on 1 January 2021. Accordingly, Ms. Wang's Share Options are reclassified from "Executive Directors" category to "Employees" category and Mr. Ji Qiang's Share Options are reclassified from Executive Directors category to others category.

Prof. Gong Zhankui and Mr. Wang Linan resigned as independent non-executive Directors on 1 January 2021. Accordingly, their Share Options are reclassified from "Independent non-executive Directors" category to others category.

Mr. Zang Dongli and Mr. Zhou Jingping were appointed as independent non-executive Directors of the Company on 1 January 2021. Accordingly, their Share Options are reclassified from "Others" category to "Independent non-executive Directors" category.

(ii) The "Others" category consists of consultants who were appointed by the Company to provide strategy development advice for the development of the Group and to introduce potential business partners to the Group.

Additional information in relation to the 2012 Scheme and for the Share Options granted during 2021 are set out in note 29 to the consolidated financial statements.

SHARE OPTION SCHEMES (Continued)

Easy Prime Share Option Scheme

On 21 May 2020, the Shareholders at the Annual General Meeting approved Easy Prime Share Option Scheme enabling the grant of Easy Prime Options to eligible participants as incentives or rewards to encourage the grantees of such options to work towards enhancing the value of Easy Prime and their shares, respectively and for the benefit of the Group as a whole.

The Easy Prime Board will have the right to grant to the participants options to subscribe for Easy Prime Shares, which when aggregated with any securities to be granted by Easy Prime subject to any other share option schemes shall not in aggregate exceed the Scheme Mandate Limit unless the approval from the Shareholders in general meeting has been obtained to renew the Scheme Mandate Limit such that the total number of Easy Prime Shares in respect of which options may be granted by the Easy Prime Board under the Easy Prime Share Option Scheme and any other share option schemes of Easy Prime in issue shall not exceed Renewal Limit. Separate approval from the Shareholders in general meeting for granting Easy Prime Options beyond the Scheme Mandate Limit and Renewal Limit may be sought. At present, Easy Prime does not intend to obtain such approval.

The maximum number of Easy Prime Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Easy Prime Share Option Scheme and any other share option schemes of Easy Prime shall not exceed 30% of the total number of Easy Prime Shares in issue from time to time.

In addition, for so long as Easy Prime remains a subsidiary of the Company:

1. Any grant of options under the relevant scheme to any Director, chief executive or substantial Shareholder or any of their respective associates shall also be subject to the prior approval of the independent non-executive Directors of the Company (excluding any independent non-executive Director who is a proposed grantee of the option).

2. Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the shares which may be issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under such scheme in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of Easy Prime and having an aggregate net asset value, assuming such options were exercised and based on the latest audited accounts of Easy Prime, in excess of HK$5 million, such grant of options shall be subject to prior approval by the Shareholders (voting by way of poll). All connected persons of the Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his/her intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

SHARE OPTION SCHEMES (Continued)

Easy Prime Share Option Scheme (Continued)

3. The renewal of the Scheme Mandate Limit and the granting of options exceeding any stipulated limits under the Easy Prime Share Option Scheme shall be subject to the approval by the Shareholders in general meeting for so long as Easy Prime remains a subsidiary of the Company.

4. Any alteration of the rules of the scheme to the advantage of the grantees shall comply with the requirements under the Listing Rules and also be subject to the approval by the Shareholders.

A summary of the principal terms of the Easy Prime Share Option Scheme is given below:

(I) Purpose of the Easy Prime Share Option Scheme:

The purpose is to enable Easy Prime to grant its share options to the eligible participants as incentives or rewards for their contribution to Easy Prime as well as the Group.

(II) Participants of the Easy Prime Share Option Scheme:

The board of directors of Easy Prime may, in accordance with the provisions of the Easy Prime Share Option Scheme, at their absolute discretion invite any person belonging to any of the following classes of participants to take up Easy Prime Options to subscribe for Easy Prime Shares:

a. any employee, executive (including any executive director but excluding any non-executive director), manager, consultant or proposed employee, manager, consultant of Easy Prime and its subsidiaries and the Group;

b. any non-executive director (including independent non-executive director) of Easy Prime Group and the Group;

c. any supplier of goods or services to any member of the Easy Prime Group;

d. any person or entity that provides research, development or other technological support to the Easy Prime Group; and

e. any company wholly owned by one or more persons belonging to any of the above classes.

(III) Total number of shares available for issue under the Easy Prime Share Option Scheme as at the date of this Annual Report:

The total number of shares available for issue under the Easy Prime Share Option Scheme is 5,000 shares.

SHARE OPTION SCHEMES (Continued)

Easy Prime Share Option Scheme (Continued)

(IV) Maximum entitlement of each participant under the Easy Prime Share Option Scheme:

The total number of shares issued and which may fall to be issued upon exercise of the Easy Prime Options (including both exercised or outstanding Easy Prime Options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Easy Prime for the time being unless it is approved by Shareholders at general meeting of the Company with such grantee and his/her associates abstaining from voting. Where any grant of Easy Prime Options to a substantial Shareholder or an independent non-executive Director or any of their respective associates, would result in the shares issued and to be allotted and issued upon exercise of all Easy Prime Options already granted and to be granted (including Easy Prime Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of Easy Prime and having an aggregate net asset value, assuming such Easy Prime Options were exercised and based on the latest audited accounts of Easy Prime, in excess of HK$5 million, such grant of Easy Prime Options shall be subject to prior approval by the Shareholders (voting by way of poll). All connected persons of the Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his/her intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

(V) Period within which the option may be exercised by the grantee under the Easy Prime Share Option Scheme:

The period within which the share options may be exercised will be specified by the Company at the time of grant. This period shall not be more than 10 years from the relevant date of grant.

(VI) The vesting period of options granted under Easy Prime Share Option Scheme:

Easy Prime Share Option Scheme does not stipulate either a minimum period for which an Easy Prime Option must be held or any performance targets a grantee is required to achieve before an Easy Prime Option can be exercised.

(VII) The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:

A nominal consideration of HK$1.00 is payable on acceptance of the grant of an Easy Prime Option within 28 days from the date of the grant.

SHARE OPTION SCHEMES (Continued)

Easy Prime Share Option Scheme (Continued)

(VIII) The basis of determining the subscription price per Easy Prime Share:

The Subscription Price shall be determined by the Easy Prime Board, taking into consideration the prevailing market condition, performance of Easy Prime and after having assessed the efforts, performance and/or future potential contribution of the Participant to the success of the business and operations of Easy Prime, which shall not be less than the par value of the Easy Prime Shares.

(IX) the remaining life of the scheme

The life of the Easy Prime Share Option Scheme is 10 years commencing from 21 May 2020.

No Easy Prime Option has been granted under the Easy Prime Share Option Scheme since the adoption date. The number of Easy Prime Options available for grant under the Easy Prime Share Option Scheme at the beginning of the year was 5,000 and at the end of the year was 5,000, respectively.

DIRECTORS' AND CHIEF EXEUCTIVE'S INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATION

As at 31 December 2022, the Directors and chief executive had the following interests in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

A Long Position in the Ordinary Shares and Underlying Shares of the Company:

Name of director	Capacity	Number of ordinary shares held	% of total issued share capital	Number of underlying shares in respect of Share Options granted	% of total issued share capital
Zhang Lijun	Beneficial owner/ Interest of spouse/ Founder of discretionary trust	1,034,563,113 *(Note)*	22.86%	1,000,000	0.02%
Peng Xitao	Beneficial owner	55,810,000	1.23%	2,000,000	0.04%
Cheng Po Chuen	Beneficial owner	–	–	27,000,000	0.60%
Zang Dongli	Beneficial owner	–	–	3,000,000	0.07%
Zhou Jingping	Beneficial owner	–	–	3,000,000	0.07%

Note: As at 31 December 2022, Dr. Zhang Lijun held and was deemed to hold under the SFO in aggregate 1,034,563,113 Shares, representing approximately 22.86% of the Company's issued share capital. These 1,034,563,113 Shares comprised: (i) 72,514,113 Shares directly held by Dr. Zhang; (ii) deemed interest of 9,350,000 Shares directly held by Ms. Wang Chun, spouse of Dr. Zhang; (iii) deemed interest of 622,500,000 Shares held by Blazing Ace Limited, which is wholly owned by Avis Trend Limited; and (iv) deemed interest of 330,199,000 Shares held by Avis Trend Limited. Avis Trend Limited is wholly owned by Cantrust (Far East) Limited in its capacity as the trustee of a discretionary family trust established by Dr. Zhang as settlor, and the discretionary beneficiaries of the trust include Dr. Zhang, Ms. Wang and their family members.

DIRECTORS' AND CHIEF EXEUCTIVE'S INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ASSOCIATED CORPORATION (Continued)

B Long Position in the Ordinary Shares of Associated Corporations:

Name of director	Name of associated corporation	Capacity	Number of ordinary shares held	% of total issued share capital
Zhang Lijun	Bank of Asia *(Note)*	Interest of controlled corporation	8,800,000	5.16%

Note: Bank of Asia is owned as to 45.49% by the Company and 5.16% by Oasis Sun Investments Limited ("Oasis Sun"), a company wholly-owned by Dr. Zhang. Dr. Zhang is deemed to be interested in Oasis Sun's 5.16% in BOA under the SFO.

Save as disclosed herein, as at 31 December 2022, none of the Directors or the chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Same as disclosed in the section above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Except for those transactions set out in note 34 to the consolidated financial statements, no Director had a beneficial interest in any material contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, other than the Directors whose interests are disclosed above, the Company was not aware of any person who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2022 are set out in note 34 to the consolidated financial statements contained herein.

The Company did not have any related party transaction which was subject to the reporting requirements under Chapter 14A of the Listing Rules for the year ended 31 December 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this Annual Report, none of the Directors are considered to have interests in the businesses which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules.

CONTRACTUAL ARRANGEMENTS

1.A Particulars of Structured Contracts

Subsequent to the Restructuring in December 2020, the telemedia business of the Group was ceased and its related contractual arrangements were terminated.

The Group acquired a new business through acquisition of 100% interest in Easy Prime by the Company in November 2018. Through Easy Prime's wholly owned subsidiary, WFOE entering into VIE Contracts with OPCO, pursuant to which the Group engages in the development and operation of online and/or mobile game applications, live-streaming platforms and online mobile interactive game applications, online information platforms and related products of sports nature in the PRC. Details of the principal licenses held by the OPCO are set out on page 35 in the 2018 Circular.

The OPCO agreed to engage the WFOE as the exclusive service provider to provide the OPCO with the Services.

CONTRACTUAL ARRANGEMENTS (Continued)

1.A Particulars of Structured Contracts (Continued)

Pursuant to the Restructuring in 2020, New VIE Contracts was entered into between WFOE and Hainan Jinyi and Mr. Peng Xitao (collectively as PRC Equity Owners) on 31 December 2020, pursuant to which the Group engages in the development and operation of online and/or mobile game applications, live-streaming platforms and online mobile interactive game applications, online information platforms and related products of sports nature in the PRC.

During the term of the Exclusive Business Cooperation Agreement, without the prior written consent of the WFOE, the OPCO was not allowed to engage or co-operate with any third party for the provision of the same or similar Services.

Principal terms of each of the New VIE Contracts are set out as follows:

(1) Exclusive Business Cooperation Agreement

Parties:

(i) The WFOE; and

(ii) The OPCO.

Subject matter: The OPCO agrees to engage the WFOE as the exclusive service provider to provide the OPCO with the Services.

During the term of the Exclusive Business Cooperation Agreement, without the prior written consent of the WFOE, the OPCO is not allowed to engage or cooperate with any third party for the provision of the same or similar Services.

The OPCO agreed to pay 100% of its net income to the WFOE as a fee for the Services on a quarterly basis.

Term: The Exclusive Business Cooperation Agreement shall take effect from the date of its execution, until any of the following circumstances occur:

(i) the WFOE proposes in writing to terminate the Exclusive Business Cooperation Agreement;

(ii) under applicable PRC laws and regulations, the WFOE exercises its call option under the exclusive Call Option Agreement, pursuant to which it acquired all the equity interests of the OPCO; or

(iii) under applicable PRC laws and regulations, the WFOE is allowed to register itself as the shareholder of the OPCO and operate the businesses of the OPCO.

CONTRACTUAL ARRANGEMENTS (Continued)

1.A Particulars of Structured Contracts (Continued)

(2) Exclusive Call Option Agreement

Parties:

(i) The WFOE;

(ii) The OPCO; and

(iii) The PRC Equity Owners.

Subject matter: The OPCO and the PRC Equity Owners irrevocably and unconditionally agree to grant exclusive call option to the WFOE, pursuant to which the WFOE may, to the extent permitted under applicable PRC laws and regulations, require:

(i) the PRC Equity Owners to transfer entirely or partially their or their nominees' equity interests in the OPCO to the WFOE or its nominee insofar at the consideration of RMB10, or, unless another price is required by the relevant PRC authority. In such event, the PRC Equity Owners shall reimburse the WFOE or its nominees any consideration paid by the WFOE or its nominees to the PRC Equity Owners in surplus of the said consideration of RMB10; and

(ii) the OPCO to transfer entirely or partially their or their nominees' assets in the OPCO to the WFOE or its nominee insofar at the consideration of RMB10, or, unless another price is required by the relevant PRC authority. In such event, the PRC Equity Owners shall reimburse the WFOE or its nominees any consideration paid by the WFOE or its nominees to the PRC Equity Owners in surplus of the said consideration of RMB10.

In addition, without the prior written consent of the WFOE, the OPCO and the PRC Equity Owners, among other things:

(i) shall not alter the registered capital of the OPCO;

(ii) shall not sell, transfer or mortgage any assets, businesses or incomes of the OPCO;

(iii) shall not enter into any merger, acquisition or investment by the OPCO;

(iv) shall not procure the declaration or actual distribution of any profits, bonus or dividend by the OPCO; and

(v) shall not enter into any agreement which will be in conflict with the Exclusive Call Option Agreement or the interests of the WFOE under the Exclusive Call Option Agreement.

CONTRACTUAL ARRANGEMENTS (Continued)

1.A Particulars of Structured Contracts (Continued)

(2) Exclusive Call Option Agreement (Continued)

Term: The Exclusive Call Option Agreement has an initial term of 10 years from the date of its execution and will be extended automatically, unless otherwise determined by the WFOE or any of the following circumstances occur.

(i) under applicable PRC laws and regulations, the WFOE exercised its call option under the Exclusive Call Option Agreement, pursuant to which it acquired all the equity interests of the OPCO; or

(ii) under applicable PRC laws and regulations, the WFOE is allowed to register itself as the shareholder of the OPCO and operate the business of the OPCO.

(3) Shareholders' Voting Right Entrustment Agreement

Parties: (i) The WFOE;

(ii) The OPCO; and

(iii) The PRC Equity Owners.

Subject matter: The PRC Equity Owners irrevocably agree to entrust the WFOE all its voting rights in the OPCO, including but not limited to the followings:

(i) as the agent of the PRC Equity Owners, to convene and attend the shareholders' meetings of the OPCO in accordance with the articles of association of the OPCO;

(ii) to represent the PRC Equity Owners and discuss, approve and exercise the voting rights at the shareholders' meetings of the OPCO; and

(iii) any other voting rights as authorized under the articles of association of the OPCO.

CONTRACTUAL ARRANGEMENTS (Continued)

1.A Particulars of Structured Contracts (Continued)

(3) Shareholders' Voting Right Entrustment Agreement (Continued)

The PRC Equity Owners agreed and confirmed that no prior consent from them is required for exercising the aforesaid voting rights.

In addition, the PRC Equity Owners irrevocably undertake, among other things, that they will neither, directly or indirectly (either on their own or through any other individual or legal entity), participate or engage in any main business which is or may be in competition with the business of the OPCO or its associated company, or acquire or hold any such business, nor carry on any activities which may lead to any material conflict of interest between itself and the WFOE.

Term: The Shareholders' Voting Right Entrustment Agreement shall take effect from the date of its execution, until any of the following circumstances occur:

(i) the parties under the Shareholders' Voting Right Entrustment Agreement agree in writing to terminate the Shareholders' Voting Right Entrustment Agreement;

(ii) under applicable PRC laws and regulations, the WFOE exercises its call option under the Exclusive Call Option Agreement, pursuant to which it acquired all the equity interests of the OPCO; or

(iii) under applicable PRC laws and regulations, the WFOE is allowed to register itself as the shareholder of the OPCO and operate the businesses of the OPCO.

(4) Equity Pledge Agreement

Parties:

(i) The WFOE;

(ii) The OPCO; and

(iii) The PRC Equity Owners

Subject matter: The PRC Equity Owners agree to pledge all of their equity interests in the OPCO to the WFOE to secure the performance of all their obligations and also the obligations of the OPCO under the New VIE Contracts.

CONTRACTUAL ARRANGEMENTS (Continued)

1.A Particulars of Structured Contracts (Continued)

(4) Equity Pledge Agreement (Continued)

If the PRC Equity Owners and/or the OPCO breach any obligation under the New VIE Contracts, the WFOE shall have the rights to, among others, dispose the pledged equity interests.

In addition, pursuant to the Equity Pledge Agreement, the PRC Equity Owners undertake to the WFOE, among others, not to transfer their interests in the OPCO and not to create any pledge thereon without prior written consent of the WFOE.

The PRC Equity Owners shall register the equity pledge with the relevant authorities and provide the documentary proof of successful registration to the WFOE within 30 business days from the date of the Equity Pledge Agreement.

Term: The Equity Pledge Agreement shall become effective upon registration of the equity pledge and shall remain binding until the PRC Equity Owners discharge all their obligations under the New VIE Contracts, or until any of the following circumstances occur:

(i) under applicable PRC laws and regulations, the WFOE exercised its call option under the Exclusive Call Option Agreement, pursuant to which it acquired all the equity interests of the OPCO; or

(ii) under applicable PRC laws and regulations, the WFOE is allowed to register itself as the shareholder of the OPCO and operate the businesses of the OPCO.

(5) WFOE's undertaking

Parties: The WFOE

Subject matters: The WFOE undertakes that the authorizations under the Shareholders' Voting Right Entrustment Agreement will be granted to officers of the Company who are unrelated to the PRC Equity Owners.

Pursuant to the New VIE Contracts, the WFOE was able to control the finance and operation of the OPCO so as to obtain the economic interest and benefits from its business activities despite the lack of registered equity ownership. The Group had the right to consolidate the financial results of the OPCO Group in its consolidated accounts as if it were a subsidiary of the Group.

CONTRACTUAL ARRANGEMENTS (Continued)

1.A Particulars of Structured Contracts (Continued)

As Mr. Peng Xitao is a partner of Hainan Jinyi and is an executive Director, this contractual relationship constitutes continuous connected transactions. The Company had applied and had been granted a waiver to such continuous connected transactions from the Stock Exchange on 5 February 2021 as disclosed in the announcement of the Company dated 9 February 2021.

In order to avoid any practical difficulties in enforcing the New VIE Contracts and to protect the assets and the operations of OPCO, the Limited Partners and their spouses have made an undertaking with principal terms as follows:

A. Each of the Limited Partners and their spouses acknowledges and confirms that:

1. the shareholders of OPCO are the Limited Partners (99%) and Mr. Peng Xitao (1%) who are nominated by the WFOE; and

2. the equity interests held by such Limited Partner in OPCO do not form part of his personal assets and his matrimonial assets jointly owned by him and his spouse.

B. Each of the spouses of the Limited Partners unconditionally and irrevocably undertakes:

1. not to take any action with the intent to interfere with the contractual arrangements, including making any claim that will give rise to hindrance over the performance of the Limited Partner's obligations under the New VIE Contracts;

2. that no consent or authorisation is needed from his spouse in case the Limited Partner executes any legal document to perform, amend, or supplement the New VIE Contracts;

3. to be bound by the New VIE Contracts and to waive any rights or entitlements to the equity interests of OPCO in the event that the spouse of the Limited Partner obtains any equity interests held by the Limited Partner in OPCO directly and/or through the Limited Partnership for any reason; and

4. that the Limited Partner, his successor, guardian, creditor, spouse or any other person that may be entitled to assume rights in the equity interests in OPCO directly or through the Limited Partnership held by him upon his death, incapacity, divorce, bankruptcy or any circumstances that may affect his ability to exercise his shareholder's rights in OPCO and/or his rights as a limited partner in the Limited Partnership (where applicable), he will not, in any manner and in any circumstances, carry out any act that may affect or hinder the fulfilment of the spouse's obligations under the New VIE Contracts.

CONTRACTUAL ARRANGEMENTS (Continued)

1.A Particulars of Structured Contracts (Continued)

C. Each of the Limited Partners irrevocably undertakes that:

1. he will not exercise shareholder's rights or entitlements to the equity interest in OPCO directly and/or through the Limited Partnership without the consent of the WFOE;

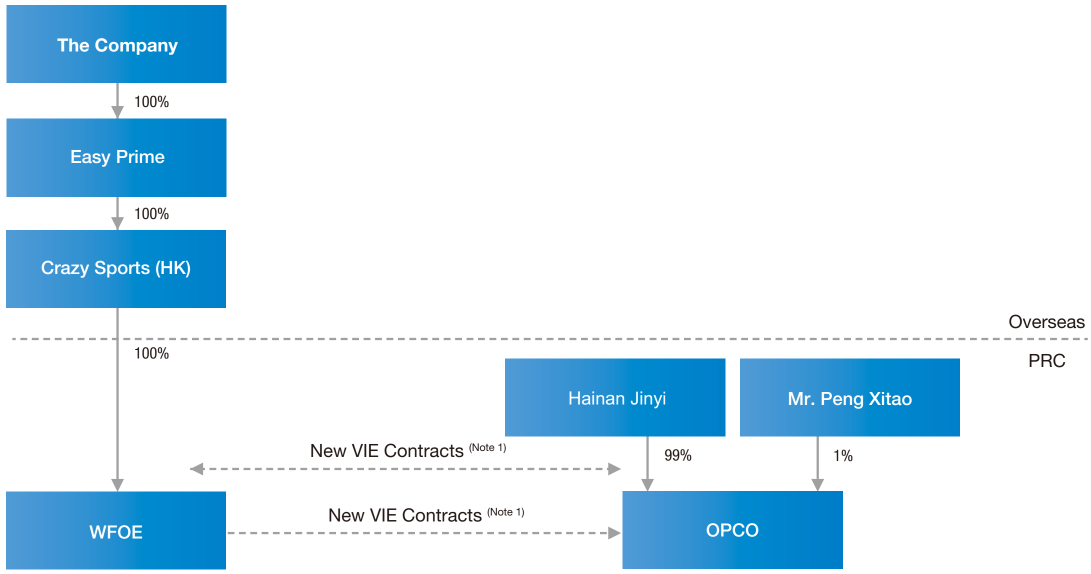
2. should any change occur in the marriage between the Limited Partner and his spouse, the Limited Partner shall inform the WFOE of such change and provide the relevant documentary proof, so as to allow the WFOE to act accordingly;

3. without the consent of the WFOE, the Limited Partner shall not agree to pledge, entrust, transfer or invest or transfer the equity interest in OPCO directly or through the Limited Partnership to any party other than the WFOE; and

4. if any Limited Partner becomes Resigning Partner, the WFOE shall be entitled to retrieve the Resigning Partner's interest in the Limited Partnership and/or OPCO, the WFOE shall then be entitled to nominate a new partner to replace the Resigning Partner and the death or incapacity or bankruptcy of the Resigning Partner shall not affect the operation and management of OPCO and the WFOE's control over OPCO.

1.B Structured Contract Flowchart

Set out below is a chart outlining simplified shareholding structure under the New VIE Contracts.



CONTRACTUAL ARRANGEMENTS (Continued)

1.B Structured Contract Flowchart (Continued)

Note:

(1) The New VIE Contracts arrangements through which the business of Easy Prime Group is operated as described in paragraph 1.A above.

"–" denotes shareholding relationship

"..." denotes contractual relationship

2. REVENUE AND ASSETS SUBJECT TO THE NEW VIE CONTRACTS

For the year ended 31 December 2022, the revenue recorded by the Group arising from the New VIE Contracts relating to the Digital sports entertainment business amounted to HK$703,455,000 (2021: HK$501,184,000). The assets of the OPCO Group have been consolidated into the financial statements of the Group under the New VIE Contracts. The total assets of OPCO Group as at 31 December 2022 amounted to HK$684,660,000 (2021: HK$608,727,000).

3. THE EXTENT TO WHICH THE CONTRACTUAL ARRANGEMENTS RELATING TO REQUIREMENTS OTHER THAN THE FOREIGN OWNERSHIP RESTRICTION

As advised by the Company's PRC legal advisers, according to the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (外商投資准入特別管理措施(負面清單)(2021年版)) (the "Negative List"), the Company, as a foreign entity, is not allowed to hold any equity interests of the OPCO under the current PRC laws. Although the current PRC laws do not expressly prohibit the establishment of VIE structures, the restrictive access and special investment prohibition management measures stipulated in the Negative List and relevant provisions in the Measures for the Security Review of Foreign Investment (外商投資安全審查辦法) (the "Security Review") must be complied with. In this respect, the Company's PRC legal adviser is of the opinion that:

(a) the New VIE Contracts are legal, valid and binding on all contractual parties;

(b) the New VIE Contracts would not be deemed as "concealing illegal intentions with a lawful form" or "civil legal acts carried out with false intentions" and void under the current PRC laws;

(c) no approval from administrative authority is required for the execution of the New VIE Contracts; and

(d) there are currently no judicial practice which indicates that the New VIE Contracts would violate the provisions under the Negative List and the Security Review.

CONTRACTUAL ARRANGEMENTS (Continued)

4. REASONS FOR THE CONTRACTUAL ARRANGEMENTS AND ASSOCIATED RISKS

Currently, the regulatory requirements of the Internet information services in the PRC does not allow foreign ownership in OPCO Group which is the holder of certain business licenses which can only be held by PRC legal entities. Accordingly, the arrangements contemplated under the New VIE Contracts did not involve direct investment by the Company in OPCO.

The New VIE Contracts were subject to the following risks during the year:

(i) There can be no assurance that the New VIE Contracts will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that the VIE Contracts will be deemed to be in compliance of the PRC laws and regulations;

(ii) The Group relies on contractual arrangements under the New VIE Contracts with the OPCO to operate the mobile game and applications business in the PRC. These contractual arrangements may not be as effective in providing the Group with control over the OPCO as direct ownership;

(iii) The Group's control over the OPCO is based on the contractual arrangement under the New VIE Contracts. Therefore, conflict of interests of the PRC Equity Owners will adversely affect the interests of the Company;

(iv) The New VIE Contracts may be subject to the scrutiny by the PRC tax authorities and additional taxes may be imposed;

(v) The New VIE Contracts provides for dispute resolution by way of arbitration in accordance with the arbitration rules of the Arbitration Commission. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in the OPCO in case of disputes;

(vi) A substantial amount of costs and time may be involved in transferring the ownership of the OPCO to the Group;

(vii) The Company does not have any insurance which covers the risks relating to the New VIE Contracts and the transactions contemplated thereunder; and

(viii) The WFOE bears economic risks which may arise from difficulties in the operation of the OPCO's business.

CONTRACTUAL ARRANGEMENTS (Continued)

4. REASONS FOR THE CONTRACTUAL ARRANGEMENTS AND ASSOCIATED RISKS (Continued)

The Group has adopted the following measures to ensure legal and regulatory compliance and implementation in respect of the New VIE Contracts:

(i) the Group has appointed a board representative to the board of the OPCO and set up a team stationing at the OPCO monitoring the daily managerial and operational activities of the OPCO. The representative submits monthly reviews of OPCO's operations to the Board;

(ii) upon receiving notification of any major events of the OPCO by the representative, the registered shareholders of the OPCO must report to the Company Secretary of the Company, who must in turn report to the Board;

(iii) the chief financial officer of the Company shall conduct regular site visits to the OPCO and conduct personnel interviews quarterly and submit reports to the Board;

(iv) all seals, chops, incorporation documents and all other legal documents of the OPCO must be kept at the office of the WFOE;

(v) the chief financial officer shall collect monthly management accounts, bank statements and cash balances and major operational data of the OPCO for review. Upon discovery of any suspicious matters, the chief financial officer must report to the Board;

(vi) when there is a delay of the payment of the service fees from the OPCO to the WFOE, the chief financial officer must meet with the registered shareholders of the OPCO to investigate, and should report any suspicious matters to the Board. In extreme cases, the registered shareholder(s) of the OPCO will be removed and replaced;

(vii) the OPCO must submit copies of latest bank statements for every bank accounts of the OPCO within 15 days after each month end; and

(viii) the OPCO must assist and facilitate the Company to conduct quarterly on-site internal audit on the OPCO.

5. ANY MATERIAL CHANGE IN THE NEW VIE CONTRACTS AND UNWINDING OF THE NEW VIE CONTRACTS

During the year ended 31 December 2022, except for the above mentioned, there was no material change in the New VIE Contracts, and/or the circumstances under which they were adopted, and none of the New VIE Contracts has been unwound as none of the restrictions that led to the adoption of New VIE Contracts has been removed.

MANAGEMENT CONTRACT

During the year ended 31 December 2022, no other contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered or existed.

CONTINUING CONNECTED TRANSACTIONS

The independent non-executive Directors had reviewed the continuing connected transactions and confirmed that the transactions had been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) on terms that are fair and reasonable and in the interests of the Company's Shareholders as a whole according to the agreement governing them. The transactions carried out during the year have been entered into in accordance with the relevant provisions of the New VIE Contracts and have been operated so that the consolidated profit generated by OPCO and its subsidiaries has been substantially retained by the Group, and no dividends or other distributions have been made by OPCO to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

The Company's auditors, BDO Limited, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. BDO Limited have issued a letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. Nothing has come to their attention that causes them to believe that such transactions: (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant New VIE Contracts governing such transactions; and (iii) that dividends or other distributions made by OPCO to the holders of its equity interests were not otherwise subsequently assigned or transferred to the Group. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

EMOLUMENT POLICY

The Group remunerates the Directors and its staff primarily based on their contributions, responsibilities, qualifications and experience under the remuneration policy set up by the Remuneration Committee. The Group has implemented share option schemes as incentive to the Directors and eligible employees.

EMOLUMENTS OF DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, the senior management and the five highest paid individuals in the Group are set out in notes 11, 12 and 34(b) to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

Throughout the year ended 31 December 2022, the Company has complied with the relevant laws and regulations that have significant impact on the operations of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to building an environmental-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. The Group also adheres to the principle of recycling and reducing. Double sided printing and copying, using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance are being implemented in the offices. For details on the Group's environmental policy, please refer to the Environmental, Social and Governance Report set out on pages 31 to 55 of this Annual Report.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

For our relationship with employees, please refer to the paragraph headed "Employee and Remuneration Policies" as set out in the "Management Discussion and Analysis" on page 26 of this Annual Report. The Group also understands that it is important to maintain good relationships with customers, suppliers and other business partners to achieve its long-term goals. Accordingly, our senior management has kept good communication, promptly exchanged ideas and shared business updates with them when appropriate. During the year, there was no material and significant dispute between the Group and its customers, suppliers and other business partners.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, the Directors shall be indemnified against all losses and liabilities which they may incur in connection with their duties. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public as at the date of this Annual Report.

DONATION

During the year, the Group made donations of total HK$320,000.

AUDIT COMMITTEE

The audited financial statements of the Group for the year ended 31 December 2022 has been reviewed by the Audit Committee. Information on the composition and the work of the Audit Committee is set out in the "Corporate Governance Report" section of this Annual Report.

AUDITOR

The financial statements have been audited by BDO Limited.

A resolution for the re-appointment of BDO Limited as auditors of the Company will be proposed at the 2023 AGM.

SUBSEQUENT EVENTS

No other matter has occurred that bears significant effect to the Group between the year end date and the date of this Annual Report.

On behalf of the Board

Mr. Peng Xitao
Chief Executive Officer

Hong Kong
30 March 2023

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF CRAZY SPORTS GROUP LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Crazy Sports Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 111 to 215, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of goodwill and intangible assets

Refer to notes 4(d), 4(g), 5, 16 and 17 in the consolidated financial statements.

The Group has goodwill with carrying amount of HK$410,124,000 and intangible assets of HK$135,476,000 respectively relating to the cash generating unit ("CGU") of digital sports entertainment business.

We focused on these areas due to the size of goodwill and intangible assets. Furthermore, the directors' assessment of the value-in-use calculation of the Group's CGU involves judgement and estimates about future results of the business, key assumptions including budgeted gross margins, discount rate and growth rate applied to future cash flow forecast.

Our response:

Our procedures in relation to management's impairment assessment included:

— Assessing the valuation methodology;

— Challenging the reasonableness of key assumptions adopted in the valuation, such as the discount rate, based on our knowledge of the business and industry and available market data; and

— Reconciling input data to supporting evidence, such as latest financial forecasts approved by the management and considering the reasonableness of these forecasts.

Valuations of financial assets at fair value through other comprehensive income ("FVOCI")

Refer to notes 4(h), 5, 19 and 38 in the consolidated financial statements.

Financial assets at FVOCI included investment funds which amounted to approximately HK$267,729,000 as at 31 December 2022.

The valuations of the investment funds carried at fair value had been determined by management with assistance of an independent professional valuer. Such valuations involve the determination of the valuation models and the selection of different inputs and the assumptions made in the valuation models by management and the independent professional valuer. Any changes in valuation models adopted and inputs and assumptions applied could lead to significant changes in amounts reported as fair value in the consolidated financial statements.

We identified valuations of financial assets at FVOCI as a key audit matter because the valuation of financial instruments without a quoted price in an active market is a complex area and involves a higher degree of estimation, uncertainty and judgement. These financial instruments are material to the Group.

Our response:

Our procedures on valuations of financial assets at FVOCI relating to investment funds included:

— Assessing the valuation methodology applied on the financial instruments;

— Challenging the reasonableness of key assumptions in the valuation based on our knowledge;

— Reconciling input data used in the valuation to supporting evidence; and

— Assessing the scope, expertise and independence of the independent professional valuer appointed by the Group.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

LAI Cheuk Wai
Practising Certificate no. P07921

Hong Kong, 30 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	7	**703,455**	511,218
Cost of revenue		**(450,993)**	(282,050)
Gross profit		**252,462**	229,168
Other gains and losses	8	**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	18	**(33,098)**	42,211
Share of results of associates	18	**(15,089)**	18,749
Finance costs	9	**(1,113)**	(993)
Profit before income tax	10	**16,045**	140,493
Income tax credit	13(a)	**1,679**	2,715
PROFIT FOR THE YEAR		**17,724**	143,208
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
— Exchange differences arising on translation of foreign operations	27(e)	**(13,434)**	2,709
— Reclassification upon disposal of subsidiaries		**(43,711)**	18,390
		(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		**(148,491)**	11,417
Other comprehensive income for the year, net of tax		**(258,226)**	18,960
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(240,502)**	162,168

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**17,758**	157,012
Non-controlling interests		**(34)**	(13,804)
		17,724	143,208
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		**(240,469)**	178,733
Non-controlling interests		**(33)**	(16,565)
		(240,502)	162,168
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
— Basic (HK cents)	14	**0.39**	3.47
— Diluted (HK cents)	14	**0.39**	3.45

Consolidated Statement of Financial Position

At 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	15	1,845	6,629
Goodwill	16	410,124	444,093
Intangible assets	17	135,476	126,800
Interest in an associate	18	24,088	72,275
Financial assets at fair value through other comprehensive income	19	267,729	402,484
Right-of-use assets	28	8,581	6,349
Deferred tax assets	25	306	331
Prepayments for purchase of intangible assets	21	9,717	10,522
		857,866	1,069,483
CURRENT ASSETS			
Trade receivables	20	175,576	60,556
Other receivables, deposits and prepayments	21	83,469	141,303
Financial assets at fair value through profit or loss	19	2,880	4,118
Amounts due from related companies	34(e)	682	1,042
Income tax receivables		1,248	174
Cash and cash equivalents	30	77,905	80,938
		341,760	288,131
TOTAL ASSETS		1,199,626	1,357,614
CURRENT LIABILITIES			
Trade and other payables	22	121,435	72,791
Contract liabilities	23	65,754	55,258
Lease liabilities	24	2,831	3,253
Amounts due to related companies	34(f)	41,784	42,029
Bank borrowings	24	33,959	12,257
Income tax payable		112,094	112,094
		377,857	297,682
NET CURRENT LIABILITIES		(36,097)	(9,551)
TOTAL ASSETS LESS CURRENT LIABILITIES		821,769	1,059,932

At 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	1,144	3,762
Lease liabilities	24	5,762	3,556
		6,906	7,318
NET ASSETS		814,863	1,052,614
EQUITY			
Share capital	26	45,262	45,262
Reserves		767,823	1,007,352
Equity attributable to owners of the Company		813,085	1,052,614
Non-controlling interests		1,778	–
TOTAL EQUITY		814,863	1,052,614

Peng Xitao
Director

Cheng Po Chuen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company								
	Share capital	Share premium	Investment revaluation reserve	Other reserves	Share-based compensation reserve	Exchange fluctuation reserve	Accumulated losses	Non-controlling interests	Total
	(note 26)	*(note 27(a))*	*(note 27(b))*	*(note 27(c))*	*(note 27(d))*	*(note 27(e))*			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2021	45,036	1,762,398	21,494	1,059,408	5,977	44,421	(2,074,401)	16,565	880,898
Profit for the year	–	–	–	–	–	–	157,012	(13,804)	143,208
Other comprehensive income	–	–	11,417	–	–	10,304	–	(2,761)	18,960
Total comprehensive income for the year	–	–	11,417	–	–	10,304	157,012	(16,565)	162,168
Recognition of share-based payment expense *(note 29)*	–	–	–	–	1,291	–	–	–	1,291
Lapse of share options *(note 29)*	–	–	–	–	(319)	–	319	–	–
Exercise of share options *(note 29)*	226	9,098	–	–	(1,067)	–	–	–	8,257
At 31 December 2021 and 1 January 2022	45,262	1,771,496	32,911	1,059,408	5,882	54,725	(1,917,070)	–	1,052,614
Profit for the year	–	–	–	–	–	–	17,758	(34)	17,724
Other comprehensive income	–	–	(148,491)	–	–	(109,736)	–	1	(258,226)
Total comprehensive income for the year	–	–	(148,491)	–	–	(109,736)	17,758	(33)	(240,502)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	1,811	1,811
Recognition of share-based payment expense *(note 29)*	–	–	–	–	940	–	–	–	940
Lapse of share options *(note 29)*	–	–	–	–	(2,271)	–	2,271	–	–
At 31 December 2022	45,262	1,771,496	(115,580)	1,059,408	4,551	(55,011)	(1,897,041)	1,778	814,863

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Profit before income tax	16,045	140,493
Depreciation of property, plant and equipment	1,262	2,278
Depreciation of right-of-use assets	2,640	5,762
Gain on the modification of lease	(239)	(311)
Dividend income from financial assets at fair value through other comprehensive income	(34,104)	(32,751)
Dividend income from financial assets at fair value through profit or loss	–	(448)
Amortisation of intangible assets	40,740	24,838
Loss on disposal of property, plant and equipment	–	702
Gain on disposal of an associate	–	(102)
Net gain on disposal of subsidiaries	(42,721)	(20,397)
Loss on deemed disposal of an associate	–	91
Impairment/(reversal of impairment) of interest in an associate	33,098	(42,211)
Share of results of associates	15,089	(18,749)
Share-based payment expenses	940	1,291
Interest income	(119)	(132)
Interest expense	1,113	993
Gain on realisation of financial assets at fair value through profit or loss	–	(6,892)
Fair value loss on financial assets at fair value through profit or loss	1,238	27,304
Waiver of dividend payable	–	(1,331)
Waiver of other payables	(1,229)	(6,618)
Expected credit losses on other receivables	21,583	–
Loss on written off of property, plant and equipment	2,526	185
Operating cash flows before working capital changes	57,862	73,995
Increase in trade receivables	(122,848)	(22,962)
Decrease/(increase) in other receivables, deposits and prepayments	1,680	(43,298)
Decrease in inventories	–	381
Decrease in amount due from an associate	–	34,200
Decrease/(increase) in amounts due from related companies	290	(861)
Increase/(decrease) in trade payables	23,074	(9,301)
Increase in other payables	44,840	3,809
(Decrease)/increase in amounts due to related companies	(232)	5,790
Increase in contract liabilities	9,435	39,524
Effect of foreign exchange rate changes	(16,491)	6,723
Cash (used in)/generated from operating activities	(2,390)	88,000
Income tax paid	(2,048)	–
Net cash (used in)/generated from operating activities	(4,438)	88,000

	Note	2022 HK$'000	2021 HK$'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(326)	(2,984)
Proceeds from disposal of property, plant and equipment		–	581
Purchases of intangible assets		(59,607)	(114,656)
Purchase of financial assets at fair value through other comprehensive income		(5,813)	(29,416)
Proceeds from disposal of financial assets at fair value through profit or loss		–	26,530
Acquisition of subsidiaries, net of cash acquired		–	350
Capital injection from non-controlling interests		340	–
Disposal of subsidiaries, net of cash disposed		(796)	(1,997)
Settlement for consideration payable for acquisition of subsidiaries		–	(8,034)
Dividend received		42,560	10,000
Interest received		119	132
Net cash used in investing activities		(23,523)	(119,494)
FINANCING ACTIVITIES			
Interest paid		(764)	(469)
Issuance of new shares		–	8,257
Proceeds from bank borrowings		34,867	12,073
Repayment of bank borrowings		(11,622)	(9,055)
Repayment of lease liabilities		(3,188)	(5,724)
Net cash generated from financing activities	30	19,293	5,082
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,668)	(26,412)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		80,938	109,764
Effect of foreign exchange rate changes		5,635	(2,414)
CASH AND CASH EQUIVALENTS AT END OF YEAR	30	77,905	80,938

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 (thereafter 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

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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

[1] *Effective for annual periods beginning on or after 1 January 2023*

[2] *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*

[3] *Effective for annual periods beginning on or after 1 January 2024*

HKFRS 17, Insurance Contract

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 Insurance Contracts.

HKFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

Amendments to HKFRS 10 and HKAS 28 (2011), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

Amendments to HKAS 1 and HKFRS Practice Statements 2, Disclosure of Accounting Policies

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

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

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments introduce a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The Group does not anticipate that the application of these amendments will have a material impact on the consolidated financial statements of the Group.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

Amendments to HKAS 12, Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The amendments require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

HKAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. For entities which may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The Group does not anticipate that the application of these amendments will have a material impact on the consolidated financial statements of the Group.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback

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

As part of the amendments, Illustrative Example 25 accompanying HKFRS 16 is added to illustrate the application of the requirements in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate.

The Group does not anticipate that the application of these amendments will have a material 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 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

3. BASIS OF PREPARATION (Continued)

(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 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$10,250,000 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. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions are eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred, they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, all amounts previously recognised in other comprehensive income in relation to that associate are recognised on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Associates (Continued)

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest it that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

(d) Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the combination. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(o)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro-rata basis on the carrying amount of each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	Over the remaining terms of the lease but not exceeding 5 years
Motor vehicles	5 years
Plant, machinery and equipment	5 years
Computer hardware and software	3-10 years
Furniture, fixtures and office equipment	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in HKFRS 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leases (Continued)

(i) As a lessee (Continued)

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leases (Continued)

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies HKFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in HKFRS 9 to the net investment in the lease (see note 4(h)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other revenue".

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Intangible assets (other than goodwill)

(i) Intangible assets acquired separately and in a business combination

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation expense is recognised in profit or loss and included in cost of revenue and administrative expenses. The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

Purchased software and technology	10-15 years
License and platform	2-10 years
Copyrights and patents	2-10 years
Games and applications	3-5 years

(ii) Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Intangible assets (other than goodwill) (Continued)

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(v) Impairment of intangible assets

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (note 4(o)).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECLs") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. ECLs are measured on either of the following bases:

- 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measured loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-months ECLs.

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition.

In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, amounts due to related companies and bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial instruments (Continued)

(vi) Derecognition (Continued)

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(i) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

— provides all of the benefits received and consumed simultaneously by the customer;

— creates or enhances an asset that the customer controls as the Group performs; or

— does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition (Continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Revenue for advertising and service income and lottery advertisement income

Revenue is recognised when the services are rendered over time as those services provides all of the benefits received and consumed simultaneously by the customer. The performance obligation is satisfied when the associate used the advertising and internet information services provided by the Group in their daily operations on the government lottery centres. The transaction price for the services are charged at a fixed rate with no significant variable consideration. Invoices are issued on a monthly basis and are usually payable within 90 days. No significant financial component existed.

Revenue under Digital sports entertainment business segment

Revenue is derived principally from the provision of games, sports social interactive platform, paid sports lottery information platform, digital collectibles platform and provision of sale services of lottery tickets. The Group sells virtual currency to end users. The end users can register the virtual currency to their user accounts in the Group's platforms and then gain access to the Group's paid online products or services, such as interactive games, sports social interactive platform and paid sports lottery information platform. Revenue from exchange of gifts represent the end users used the virtual currency for exchanging gifts. Receipts from the sales of virtual currency are deferred and recorded as "contract liabilities" (note 4(j)) in the consolidated statement of financial position.

The games published by the Group comprised of interactive games, self-developed mobile games and cooperating mobile games.

Revenue from the interactive games represents the gross pay-ins, net of the gross payouts to end users. Gross pay-ins represents the value of virtual currency received from end users when they participated in the interactive games. Gross payouts represent the aggregate rewards in terms of virtual currency paid to the end users.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition (Continued)

Revenue under Digital sports entertainment business segment (Continued)

The Group operates self-developed mobile games under free-to-play model. Game players purchase game credits which are virtual currency for acquisition of in-game virtual items for better in-game experience. The Group sells prepaid game credits through cooperation with various third-party game distribution platforms and payment channels. These game distribution platforms include major online application stores.

The Group has evaluated the respective roles and responsibilities of the Group, third-party distribution platforms and third-party payment channels in the delivery of game experiences to the paying players ("Paying Players") in determining if the Group is acting as principal or as an agent in the arrangement. The Group is responsible for hosting the self-developed games, providing customers' services to game players, determining the selling price of the in-game token, selection of distribution and payment channels and preventing, detecting and resolving cheating and hacking activities. The Group has evaluated and determined that it is the primary obligor in the rendering services to game players. Accordingly, the Group considers that the Paying Players as their customers and the game operation income reported in the consolidated financial statements are on gross basis for self-developed mobile games. Service charges by third-party distribution platforms and third-party payment channels are recorded as direct costs. Third-party distribution platforms and third-party payment channels collect the payment from the Paying Players and remit the cash net of commission charges which are pre-determined according to the relevant terms entered into between the Group and the third-party distribution platforms or third-party payment channels.

Upon the sales of game credits or in-game virtual items, the Group typically has an implied obligation to provide the services which enable the game credits or in-game virtual items to be displayed, used or converted into other in-game virtual currencies/items in the games. As a result, the proceeds received from sales of game credits or in-game virtual items are initially recorded as "contract liabilities" (note 4(j)). The attributable portion of the deferred revenue relating to values of the game credits consumed and in-game virtual items converted are recognised as revenue upon the consumption of game credits and virtual items by Paying Players.

For revenue from cooperating mobile games, the Group has no right on the operation and pricing of the games. As the Group is acting as an agent, the Group has recognised the net proceeds to be received from the mobile game operators and the third-party channels as revenue from cooperating mobile games.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition (Continued)

Revenue under Digital sports entertainment business segment (Continued)
Revenue from sales of digital collectibles is recognised at the point in time when the sale is processed on a gross basis. The Group are primarily responsible for fulfilment of the promise, and have the latitude in establishing pricing and selecting suppliers, among other factors. The Group is determining acted as the principal in these transactions as the Group has custody and control of the digital assets prior to the sale to the customer, and discretion and latitude in establishing the price.

Interest income
Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

(j) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the group recognises the related revenue for revenue under mobile games and application segment (see note 4(i)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

(k) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Income taxes (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries, associates and joint ventures where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange fluctuation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange fluctuation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange fluctuation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange fluctuation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee benefits

Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. For forfeited contributions that are not vest fully, if any, may be used to reduce the existing level of contributions. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. Prior to the MPF Scheme being effective, the Group did not have any pension arrangements for its employees.

The employees of the Group's subsidiaries in the PRC are members of central pension schemes operated by the local governments in the PRC and these subsidiaries make mandatory contributions to these central pension schemes to fund the employees' retirement benefits. The retirement contributions paid by the PRC subsidiaries are based on certain percentages of the employees' salaries cost in accordance with the relevant regulations in the PRC, and are charged to profit or loss as incurred. The Group discharges its retirement obligations upon payment of the retirement contributions to the central pension schemes operated by the local governments in the PRC.

(n) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share-based compensation reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Share-based payments (Continued)

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. When the entity cannot estimate reliably the fair value of goods or services received, they are indirectly measured by reference to the fair value of the equity instruments granted. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

(o) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- goodwill and other intangible assets;
- investments in subsidiaries and associates.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(p) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probably will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits which are subject to an insignificant risk of changes in value.

(t) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of key management personnel of the Company or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying accounting policies

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the Group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these consolidated financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Valuation of intangible assets and useful lives

The Group has made estimations and assumptions in relation to the potential future cash flows of identifiable intangible assets. This assessment involves estimations and assumptions relating to potential future revenues, appropriate discount rates and the useful lives of such assets. These estimations and assumptions impact the consolidated statement of profit or loss and other comprehensive income over the useful life of the intangible asset.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (Continued)

(ii) Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(iii) Impairment of trade and other receivables

The Group makes allowance for impairment on trade and other receivables based on assumptions about risk of default and ECL rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of the reporting period.

(iv) Fair value measurement

Certain assets included in the Group's financial statements require measurement at, and disclosure of, fair value. Further details of fair value measurement are disclosed in note 38.

(v) Impairment of interest in an associate, Bank of Asia (BVI) Limited ("BOA")

Determining whether impairment loss should be recognised in relation to interest in BOA requires an estimation of the recoverable amount of the interest in BOA which is the higher of value in use and fair value less costs of disposal.

The Group's management engaged an independent qualified professional valuer to assist them to determine the recoverable amount of interest in BOA based on the past performance of BOA and the expectations from the Group's management for the market development estimate.

As at 31 December 2022, the Group had interest in BOA with carrying amount of approximately HK$24,088,000 and an accumulated impairment loss of HK$171,857,000 was recognised in respect of the Group's interest in BOA.

6. 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, 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 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.

7. 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 HK$'000	2021 HK$'000
Digital sports entertainment business		
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
	703,455	511,218
Timing of revenue recognition		
At a point in time	29,393	–
Transferred over time	674,062	511,218
	703,455	511,218

8. OTHER GAINS AND LOSSES

	2022 HK$'000	2021 HK$'000
Net gain on disposal of subsidiaries	42,721	20,397
Dividend income from financial assets at FVOCI *(note 19(b))*	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 FVTPL *(note 19(c))*	–	6,892
Waiver of dividend payable	–	1,331
Dividend income from financial assets at FVTPL *(note 19(c))*	–	448
Gain on disposal of an associate	–	102
Loss on deemed disposal of an associate *(note 18)*	–	(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
	84,590	42,461

9. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on lease liabilities	349	524
Interest on bank borrowings	764	469
	1,113	993

10. PROFIT BEFORE INCOME TAX

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

	2022 **HK$'000**	2021 HK$'000
Staff costs (excluding directors' remuneration *(note 11)*)		
— Salaries and wages	**19,337**	25,058
— Pension fund contributions	**3,870**	3,851
— Share-based payments	**940**	653
	24,147	29,562
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

11. DIRECTORS' REMUNERATION

	2022 **HK$'000**	2021 HK$'000
Directors' fees		
— Executive directors	**9,840**	9,840
— Independent non-executive directors	**465**	491
Basic remuneration, allowances and benefits in kind	**10,454**	12,604
Pension fund contributions	**197**	193
Retirement benefits	**63**	–
Share-based payments	**–**	638
	21,019	23,766

11. DIRECTORS' REMUNERATION (Continued)

Directors' remuneration is disclosed as follows:

	Directors' fees HK$'000	Basic remuneration, allowances, and benefits in kind HK$'000	Retirement benefits HK$'000	Share-based payments HK$'000	Pension fund contributions HK$'000	Total HK$'000
2022						
Executive directors						
Dr. Zhang Lijun	9,600	7,050	–	–	18	16,668
Ms. Cheng Po Chuen	120	1,980	–	–	18	2,118
Mr. Peng Xitao	120	1,424	–	–	161	1,705
Independent non-executive directors						
Dr. Loke Yu (alias Loke Hoi Lam)[4]	105	–	63	–	–	168
Mr. Zang Dongli	120	–	–	–	–	120
Mr. Zhou Jingping	120	–	–	–	–	120
Ms. Liu Haoming[3]	120	–	–	–	–	120
	10,305	10,454	63	–	197	21,019
2021						
Executive directors						
Dr. Zhang Lijun	9,600	8,400	–	128	18	18,146
Ms. Cheng Po Chuen	120	2,730	–	255	18	3,123
Mr. Peng Xitao[1]	120	1,474	–	255	157	2,006
Independent non-executive directors						
Dr. Loke Yu (alias Loke Hoi Lam)	251	–	–	–	–	251
Mr. Zang Dongli[2]	120	–	–	–	–	120
Mr. Zhou Jingping[2]	120	–	–	–	–	120
	10,331	12,604	–	638	193	23,766

11. DIRECTORS' REMUNERATION (Continued)

Directors' remuneration is disclosed as follows: (Continued)

There were no arrangements under which a director waived or agreed to waive any remuneration for the year (2021: Nil). In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the year (2021: Nil).

[1] *Mr. Peng Xitao was appointed as executive director on 1 January 2021.*

[2] *Mr. Zang Dongli and Mr. Zhou Jingping were appointed as independent non-executive director on 1 January 2021.*

[3] *Ms. Liu Haoming was appointed as independent non-executive director on 1 January 2022.*

[4] *Dr. Loke Yu (alias Loke Hoi Lam) was retired on 26 May 2022.*

12. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, three (2021: three) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining two (2021: two) individuals are as follows:

	2022	2021
	HK$'000	HK$'000
Basic remuneration, allowances and benefits in kind	**1,990**	5,414
Pension fund contributions	**36**	18
Share-based payments	**294**	190
	2,320	5,622

12. FIVE HIGHEST PAID EMPLOYEES (Continued)

Their emoluments are within the following bands:

	2022 Number of employees	2021 Number of employees
HK$4,000,001 to HK$4,500,000	–	1
HK$1,000,001 to HK$1,500,000	2	1

The emoluments paid or payable to members of senior management (excluding the directors of the Company) were within the following bands:

	2022 Number of employees	2021 Number of employees
HK$1,000,001 to HK$1,500,000	1	–
Below HK$1,000,000	3	2

13. INCOME TAX CREDIT

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

	2022 HK$'000	2021 HK$'000
Current tax		
— Hong Kong profits tax for the year	–	–
— PRC enterprise income tax for the year	935	–
	935	–
Deferred taxation *(note 25)*		
— Attributable to the reversal of temporary differences	(2,614)	(2,715)
Income tax credit	(1,679)	(2,715)

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.

13. INCOME TAX CREDIT (Continued)

(b) The income tax credit for the year can be reconciled to the accounting profit as follows:

	2022 HK$'000	2021 HK$'000
Profit before income tax	**16,045**	140,493
Taxation calculated at PRC income tax of 25% (2021: 25%)	**4,011**	35,123
Tax effect of non-taxable income	**(17,846)**	(25,850)
Tax effect of expenses not deductible for taxation purposes	**8,463**	12,351
Effect of lower tax rate applicable to subsidiaries as a result of preferential tax policy as described in (a)	**622**	(2,417)
Effect of tax rate in foreign jurisdictions	**4,671**	(925)
Tax effect of temporary difference not recognised	**(1,600)**	(20,997)
Income tax credit for the year	**(1,679)**	(2,715)

14. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

Earnings

	2022 HK$'000	2021 HK$'000
Earnings for the purposes of basic and diluted earnings per share	**17,758**	157,012

14. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (Continued)

Number of shares

	2022 '000	2021 '000
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	–	33,972
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,526,135	4,555,587

Earnings per share

	2022 HK Cents	2021 HK Cents
— Basic	0.39	3.47
— Diluted	0.39	3.45

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.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Motor vehicles	Plant, machinery and equipment	Computer hardware and software	Furniture, fixtures, and office equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:						
At 1 January 2021	18,528	8,889	29,364	17,908	1,865	76,554
Acquisition of a subsidiary	–	–	–	6	–	6
Additions	1,818	680	11	338	137	2,984
Disposals	–	(3,262)	(4,021)	–	(430)	(7,713)
Disposal of subsidiaries	(4,604)	(2,262)	–	(451)	(41)	(7,358)
Written off	–	(1,851)	–	–	–	(1,851)
Exchange adjustments	585	236	1,119	573	89	2,602
At 31 December 2021	16,327	2,430	26,473	18,374	1,620	65,224
Additions	198	–	–	128	–	326
Disposal of a subsidiary	(8,890)	(2,116)	(1,434)	(14,694)	(831)	(27,965)
Written off	(3,288)	–	(24,533)	–	–	(27,821)
Exchange adjustments	(660)	(115)	(474)	(1,580)	(103)	(2,932)
At 31 December 2022	**3,687**	**199**	**32**	**2,228**	**686**	**6,832**

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Computer hardware and software HK$'000	Furniture, fixtures, and office equipment HK$'000	Total HK$'000
Accumulated depreciation and impairment:						
At 1 January 2021	17,602	6,599	26,034	16,893	1,620	68,748
Charge for the year	867	517	358	401	135	2,278
Disposals	–	(2,882)	(3,107)	–	(441)	(6,430)
Disposal of subsidiaries	(4,604)	(1,835)	–	(404)	(27)	(6,870)
Written back	–	(1,666)	–	–	–	(1,666)
Exchange adjustments	571	162	1,077	674	51	2,535
At 31 December 2021	14,436	895	24,362	17,564	1,338	58,595
Charge for the year	879	–	164	159	60	1,262
Disposal of a subsidiary	(8,890)	(654)	(1,873)	(14,591)	(831)	(26,839)
Written back	(3,115)	–	(22,180)	–	–	(25,295)
Exchange adjustments	(620)	(47)	(453)	(1,559)	(57)	(2,736)
At 31 December 2022	**2,690**	**194**	**20**	**1,573**	**510**	**4,987**
Carrying amount:						
At 31 December 2022	**997**	**5**	**12**	**655**	**176**	**1,845**
At 31 December 2021	1,891	1,535	2,111	810	282	6,629

16. GOODWILL

	HK$'000
Cost:	
At 1 January 2021	426,941
Exchange adjustments	17,152
At 31 December 2021	444,093
Exchange adjustments	(33,969)
At 31 December 2022	**410,124**
Accumulated impairment losses:	
At 1 January 2021, 31 December 2021 and 31 December 2022	–
Carrying amount:	
At 31 December 2022	**410,124**
At 31 December 2021	444,093

Goodwill is allocated to the Group's cash generating units ("CGU") identified to country of operation and business segment. The carrying amounts as at 31 December 2022 and 2021 were related to the Group's Digital sports entertainment business in the PRC.

	2022 **HK$'000**	2021 HK$'000
Recoverable amount	**1,555,700**	2,399,401
Carrying value of assets allocated (including goodwill)	**556,026**	583,871

For the purpose of impairment testing for assets allocated to the Digital sports entertainment business CGU in 2022 and 2021, the recoverable amounts of the CGU have been determined from value-in-use calculations based on cash flow projections from approved budgets covering a five-year period. It is determined with reference to the valuation prepared by Graval Consulting Limited ("Graval"), an independent firm of professionally qualified valuer. Cash flow beyond the five-year period is extrapolated using an estimated average growth rate of 2% (2021: 2%), which does not exceed the long-term growth rate for sports related applications industry in the PRC. Cash flows for the first five financial periods are based on expected paying users and paying rates estimated by management. Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development.

16. GOODWILL (Continued)

	2022	2021
Operating profit margin	12%-23%	23%-29%
Discount rate	21.18%	20.87%
Revenue growth rate within the five-year period	19%-32%	15%-64%

Assumptions were used in the value-in-use calculation of the Digital sports entertainment business CGU. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(a) Revenue growth rate

The revenue growth rate is based on the average growth achieved in the past years and the expected revenue from newly launched games and applications.

(b) Operating profit margin

The basis used to determine the value assigned to the budgeted operating profit margins is the operating profit margins achieved in the past years and the expectation for market development.

(c) Discount rate

The discount rate used is pre-tax and reflects specific risks relating to the relevant segment.

The values assigned to the key assumptions on market development and the discount rate are consistent with external information sources. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount. As at 31 December 2022 and 2021, management determines that there are no impairment on goodwill.

17. INTANGIBLE ASSETS

	Purchased software and technology HK$'000	License and platform HK$'000 *(note (a))*	Copyrights and patents HK$'000 *(note (b))*	Games and applications HK$'000 *(note (c))*	Total HK$'000
Cost:					
At 1 January 2021	–	9,585	14,675	88,934	113,194
Acquisition of a subsidiary	–	4,320	–	–	4,320
Additions	11,048	–	73,052	6,912	91,012
Exchange adjustments	169	452	1,705	3,678	6,004
At 31 December 2021	11,217	14,357	89,432	99,524	214,530
Additions	–	–	44,550	15,057	59,607
Exchange adjustments	(858)	(1,098)	(8,000)	(8,005)	(17,961)
At 31 December 2022	**10,359**	**13,259**	**125,982**	**106,576**	**256,176**
Amortisation and impairment:					
At 1 January 2021	–	–	12,877	47,222	60,099
Amortisation for the year	–	1,938	3,918	18,982	24,838
Exchange adjustments	–	30	577	2,186	2,793
At 31 December 2021	–	1,968	17,372	68,390	87,730
Amortisation for the year	1,064	1,866	17,274	20,536	40,740
Exchange adjustments	(28)	(199)	(1,730)	(5,813)	(7,770)
At 31 December 2022	**1,036**	**3,635**	**32,916**	**83,113**	**120,700**
Carrying amount:					
At 31 December 2022	**9,323**	**9,624**	**93,066**	**23,463**	**135,476**
At 31 December 2021	11,217	12,389	72,060	31,134	126,800

17. INTANGIBLE ASSETS (Continued)

Notes:

(a) *The Group has acquired a permission license for operating an online sports events platform and reward points system (the "Permission License") by acquisition of a subsidiary during 2020. The Permission License has an estimated useful lives of five years.*

In 2021, the Group has acquired a platform for distributing games and applications by acquisition of a subsidiary. The platform has an estimated useful lives of five years.

(b) *The Group pays a sum of copyright fees to the intellectual property ("IP") owners as the Group is entitled to buy out the copyrights upon which the Group can further develop, publish and operate mobile games. The Group recognises the copyrights bought out as an intangible asset. These intangible assets are initially recorded at cost and amortised on a straight-line basis over the estimated economic useful lives of two to ten years.*

(c) *Games and applications represent the sports related mobile games and online information platform and live streaming application developed by the Group and related development costs are capitalised and amortised on a straight-line basis over the estimated economic lives, which range from three to five years.*

As the intangible assets can generate cash inflows for Digital sports entertainment business CGU, the carrying amount has been taken into consideration for the impairment assessment of goodwill allocated to the Digital sports entertainment business CGU. For testing the impairment of Digital sports entertainment business CGU, the recoverable amount was determined based on value-in-use valuation estimated by the management and Graval, an independent firm of professionally qualified valuer. For details of the assessment, please refer to note 16.

The Directors concluded that the value in use estimated is sufficient to justify the carrying value of the assets allocated to Digital sports entertainment business CGU and hence no impairment is necessary as at 31 December 2022 and 2021.

18. INTEREST IN AN ASSOCIATE

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

18. INTEREST IN AN ASSOCIATE (Continued)

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 Holdings Limited ("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.

18. INTEREST IN AN ASSOCIATE (Continued)

As at 31 December 2021, an accumulated impairment loss of HK$138,759,000 was recognised in respect of the Group's interest in BOA based on the recoverable amount, being the higher of value in use and fair value less cost of disposal, determined by the management. Headquartered in BVI, BOA was awarded its banking license from the BVI Financial Services Commission. BOA's business operation covers banking services including deposits and loans in multiple currencies, cross-border payments and remittance. As at 31 December 2022, the recoverable amount of the Group's interest in BOA, which represents the fair value less cost of disposal, is lower than its carrying amount. Accordingly, an impairment loss of HK$33,098,000 in respect of the Group's interest in BOA is recognised in the consolidated statement of profit or loss and other comprehensive income for the year, and it results in the carrying amount of the Group's interest in BOA of HK$24,088,000 as at 31 December 2022. The fair value is measured by reference to a valuation report issued by Graval, an independent firm of professionally qualified valuer, with market approach, which is level 3 inputs in terms of HKFRS 13. The key parameters are as below:

	2022	2021
Adjusted price-to-book ratio ("P/B Ratio")	**1.03**	4.12
Discount for lack of marketability	**15.70%**	37.13%

18. INTEREST IN AN ASSOCIATE (Continued)

Summarised financial information

	2022 HK$'000	2021 HK$'000
As at 31 December		
Current assets	550,877	487,056
Non-current assets	3,540	4,187
Current liabilities	(464,903)	(429,205)
Non-current liabilities	(61,355)	(709)
Net assets	28,159	61,329
Included in the above amounts are:		
Cash and cash equivalents	270	2,030
Current financial liabilities (excluding trade and other payables)	(452,120)	(364,189)
Non-current financial liabilities (excluding other payables and provisions)	(61,355)	(709)
Year ended 31 December		
Revenue	12,137	134,787
(Loss)/profit for the year	(33,259)	41,441
Total comprehensive income	(33,170)	41,441
Dividend received from associate	–	–
Included in the above amounts are:		
Depreciation and amortisation	2,397	5,180

18. INTEREST IN AN ASSOCIATE (Continued)

Summarised financial information (Continued)

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

	2022 HK$'000	2021 HK$'000
Net assets of the associate	28,159	61,329
Proportion of the Group's ownership interest in the associate	45.49%	45.49%
Goodwill	183,135	183,135
	195,945	211,034
Less: impairment	(171,857)	(138,759)
Carrying amount of the Group's interest in the associate	24,088	72,275

19. OTHER FINANCIAL ASSETS

	2022 HK$'000	2021 HK$'000
Current assets		
Financial assets at FVTPL		
Compensation arising from profit guarantee *(note (a))*	**2,599**	3,579
Listed equity investment *(note (c))*	**281**	539
	2,880	4,118
Non-current assets		
Financial asset at FVOCI		
Investment funds *(note (b))*	**267,729**	402,484

Notes:

(a) *Pursuant to the profit guarantee arrangement in relation to the acquisition of 3GUU Group, the Group is entitled to recover the related consideration shares at no cost as the actual result of 3GUU Group for the year ended 31 December 2013 was less than the relevant profit target. The Group has decided not to recall the consideration shares and asked the vendors to dispose of the related shares to settle the compensation in cash. Compensation is determined on the agreed number of shares to be disposed of at their fair value at the end of reporting period. The Directors classified the investment as financial asset at fair value through profit or loss.*

(b) *The investment funds are as follows:*

(i) *On 14 December 2015, the Group entered into a Limited Partnership Agreement (the "Agreement") to subscribe, as a limited partner, in the total amount of US$31,250,000 (equivalent to HK$243,348,000) of China Prosperity Capital Mobile Internet Fund, L.P. (the "CPC Fund"). The timing of capital contribution of the investment is generally on an "as needed" basis. During 2018, the Group have wholly settled the committed investment of US$31,250,000 to the CPC Fund.*

The CPC Fund was established principally to achieve long-term capital appreciation primarily through privately-negotiated investments in equity and/or equity-related securities of companies that operate in or otherwise derive significant business opportunities from the mobile internet sector, its related technologies, products and services. The Directors classified the investment as financial asset at FVOCI as the investment in the partnership is equity in nature, and it is held for long term strategic gains and not for trading. During 2021, the CPC Fund declared dividend and waived its fund management fee of prior years. The CPC Fund also declared dividend during 2022.

As at 31 December 2022, a fair value loss of HK$71,511,000 (2021: HK$29,537,000) was recognised as other comprehensive income and decreased the investment revaluation reserve. Also, dividend income of HK$14,558,000 (2021: HK$16,715,000) was recognised as "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2022, fair value of investment in the CPC Fund is amounted to HK$155,394,000 (2021: HK$226,905,000).

19. OTHER FINANCIAL ASSETS (Continued)

Notes: (Continued)

(b) *The investment funds are as follows: (Continued)*

(ii) *In 2017, the Group entered into a limited partnership agreement to subscribe, as a limited partner, in the total amount of US$2,000,000 (equivalent to HK$15,574,000) of Golden Rock Cayman LP (the "Golden Rock"). The Golden Rock was established principally to achieve long-term capital appreciation primarily through privately-negotiated investments in securities and/or equity of companies that operate in internet related sectors. The Group is a limited partner in Golden Rock and does not have control nor significant influence in its operational and financing decisions. The Directors classified the investment as financial asset at FVOCI as the investment in the partnership is equity in nature, and it is held for long term strategic gains and not for trading.*

Pursuant to the limited partnership agreement, the term of the Golden Rock will be expired in February 2023. As such, in November 2022, Shenzhen Zhihui Asset Management Co., Ltd (the "Vendor") which is wholly-owned by the Golden Rock 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 RMB7,000,000 (equivalent to HK$7,923,000), which approximates the fair value. Upon completion, the New Rock Capital Fund agreed and accepted the subscription of additional limited partnership interest in the New Rock Capital Fund by way of contribution in kind of the consideration. As at 31 December 2022, all underlying investments has been distributed and the fair value of investment in the Golden Rock is amounted to HK$Nil (2021: HK$23,929,000).

The Golden Rock declared dividend in 2022 and 2021. As at 31 December 2022, a fair value loss of HK$23,929,000 (2021: fair value gain of HK$4,590,000) was recognised as other comprehensive income earned and credited to the investment revaluation reserve. Also, dividend income of HK$19,546,000 (2021: HK$6,036,000) was recognised as "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income.

(iii) *The New Rock Capital Fund was established principally to achieve long-term capital appreciation primarily through privately-negotiated investments in telemedia related sectors. The Group is a limited partner in the New Rock Capital Fund and does not have control nor significant influence in its operational and financing decisions. The Directors classified the investment as financial asset at FVOCI as the investment in the partnership is equity in nature, and it is held for long term strategic gains and not for trading.*

In 2022, the Group requested capital injection of HK$5,813,000 (2021: HK$29,416,000) into the New Rock Capital Fund. Also, as aforesaid, the Group injected the entire underlying investment of Golden Rock at a consideration of RMB7,000,000 (equivalent to HK$7,923,000) to the New Rock Capital Fund.

The New Rock Capital Fund declared dividend in 2021. As at 31 December 2022, a fair value loss of HK$53,051,000 (2021: fair value gain of HK$36,364,000) was recognised as other comprehensive income earned and credited to the investment revaluation reserve. Also, dividend income of HK$Nil (2021: HK$10,000,000) was recognised as "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2022, fair value of investment in the New Rock Capital Fund is amounted to HK$112,335,000 (2021: HK$151,650,000).

(c) *It represents certain equity investments of listed securities in NASDAQ. As at 31 December 2022, fair value loss of HK$258,000 (2021: HK$27,690,000) and dividend income of HK$Nil (2021: HK$448,000) were recognised as "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income. Also, the Group recognised a realised gain amounted to HK$6,892,000 from disposal of listed securities for the year ended 31 December 2021.*

20. 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:

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

The Group and the Company assessed impairment loss based on the accounting policy stated in note 4(h)(ii). 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.

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 HK$'000	2021 HK$'000
Other receivables	32,527	135,251
Less: expected credit loss *(Note 36)*	(3,396)	(54,755)
Other receivables, net	29,131	80,496
Other tax receivables	9,345	21,733
Prepayments	48,144	42,578
Deposits	6,566	7,018
	93,186	151,825
Represented by:		
Non-current portion	9,717	10,522
Current portion	83,469	141,303
	93,186	151,825

22. TRADE AND OTHER PAYABLES

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

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 HK$'000	2021 HK$'000
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
Total trade payables	31,483	9,754
Accrued liabilities and other liabilities	89,952	63,037
	121,435	72,791

23. CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Contract liabilities arising from games and applications	**65,754**	55,258

Movements in contract liabilities:

	HK$'000
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	54,557
Balance as at 31 December 2021 and 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	**67,511**
Balance as at 31 December 2022	**65,754**

24. LEASE LIABILITIES AND BANK BORROWINGS

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

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 as detailed in note 34(c) 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 as detailed in note 34(c) 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 as detailed in note 34(c) 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 as detailed in note 34(d) 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.

24. LEASE LIABILITIES AND BANK BORROWINGS (Continued)

Lease liabilities

	Properties HK$'000
At 1 January 2021	22,555
Additions	8,500
Interest expense *(note 28)*	524
Lease payments *(note 28)*	(5,724)
Modification of lease	(12,342)
Disposal of a subsidiary	(7,139)
Exchange adjustments	435
At 31 December 2021 and 1 January 2022	6,809
Additions	8,227
Interest expense *(note 28)*	349
Lease payments *(note 28)*	(3,188)
Modification of lease	(3,250)
Exchange adjustments	(354)
At 31 December 2022	8,593

Future lease liabilities are payable as follows:

	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
At 31 December 2022			
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
	9,278	(685)	8,593

24. LEASE LIABILITIES AND BANK BORROWINGS (Continued)

Lease liabilities (Continued)

Future lease liabilities are payable as follows: (Continued)

	Minimum lease payments HK$'000	Interest HK$'000	Present value HK$'000
At 31 December 2021			
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
	7,054	(245)	6,809

The present value of future lease payments are analysed as:

	2022 HK$'000	2021 HK$'000
Current liabilities	**2,831**	3,253
Non-current liabilities	**5,762**	3,556
	8,593	6,809

25. DEFERRED TAXATION

Details of the deferred tax liabilities and assets recognised and movements during the year are as follows:

	Fair value adjustment of intangible assets HK$'000	Impairment loss on other receivables HK$'000	Total HK$'000
At 1 January 2021	(6,269)	318	(5,951)
Credit to profit or loss for the year	2,715	–	2,715
Exchange adjustments	(208)	13	(195)
At 31 December 2021 and 1 January 2022	(3,762)	331	(3,431)
Credit to profit or loss for the year	**2,614**	**–**	**2,614**
Exchange adjustments	**4**	**(25)**	**(21)**
At 31 December 2022	**(1,144)**	**306**	**(838)**

The deferred income tax balance is as follows:

	2022 HK$'000	2021 HK$'000
Deferred tax assets	**306**	331
Deferred tax liabilities	**(1,144)**	(3,762)
	(838)	(3,431)

25. DEFERRED TAXATION (Continued)

As at 31 December 2022, the Group had estimated unused tax losses of approximately HK$276,651,000 (2021: HK$600,814,000) and deductible temporary differences of approximately HK$50,135,000 (2021: HK$130,857,000) arising from certain companies within the Group that are suffering from losses from years available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to unpredictability of future profit streams. Tax losses amounting to approximately HK$223,858,000 (2021: HK$227,943,000) can be carried forward indefinitely. The remaining unrecognised tax losses at the reporting date will be expired as follows:

	2022 **HK$'000**	2021 HK$'000
Year 2022	**–**	118,596
Year 2023	**7,099**	218,628
Year 2024	**35,678**	25,260
Year 2025	**9,155**	9,946
Year 2026	**92**	441
Year 2027	**769**	–
	52,793	372,871

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. As at 31 December 2022, the Group has not recognised deferred tax liabilities of HK$4,681,000 (2021: HK$52,474,000) in respect of temporary differences relating to the unremitted profits of subsidiaries amounting to HK$46,810,000 (2021: HK$524,740,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

26. SHARE CAPITAL

	2022 **HK$'000**	2021 HK$'000
Authorised:		
50,000,000,000 ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
4,526,135,442 (2021: 4,503,575,442) ordinary shares of HK$0.01 each at beginning of year	**45,262**	45,036
Issuance of shares upon exercise of 22,560,000 share options *(note 29)*	**–**	226
4,526,135,442 (2021: 4,526,135,442) ordinary shares of HK$0.01 each at end of year	**45,262**	45,262

27. RESERVES

Company

	Share premium HK$'000 *(note (a))*	Investment revaluation reserve HK$'000 *(note (b))*	Other reserves HK$'000 *(note (c))*	Share-based compensation reserve HK$'000 *(note (d))*	Accumulated losses HK$'000	Total reserves HK$'000
At 1 January 2021	1,762,398	21,494	523,125	5,977	(2,512,768)	(199,774)
Loss and total comprehensive income for the year	–	(24,947)	–	–	(44,540)	(69,487)
Recognition of share-based payment expense *(note 29)*	–	–	–	1,291	–	1,291
Lapse of share options *(note 29)*	–	–	–	(319)	319	–
Exercise of share options *(note 29)*	9,098	–	–	(1,067)	–	8,031
At 31 December 2021 and 1 January 2022	1,771,496	(3,453)	523,125	5,882	(2,556,989)	(259,939)
Profit and total comprehensive income for the year	–	(95,440)	–	–	119,778	24,338
Recognition of share-based payment expense *(note 29)*	–	–	–	940	–	940
Lapse of share options *(note 29)*	–	–	–	(2,271)	2,271	–
At 31 December 2022	**1,771,496**	**(98,893)**	**523,125**	**4,551**	**(2,434,940)**	**(234,661)**

Notes:

(a) The balance represents the excess of consideration received for issue of shares over the corresponding par value of the issued shares. The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981 (as amended).

(b) Investment revaluation reserve represents change in fair value of financial assets at fair value through other comprehensive income.

(c) Other reserves represent:

(i) the difference between the amount by which the non-controlling interests are adjusted and the fair value of the shares of the subsidiary granted to employees; and

(ii) certain portion of the profits of the subsidiaries established in the PRC transferred from the retained earnings which are restricted to use pursuant to the relevant laws and regulations in the PRC.

(d) Share-based compensation reserve comprises the value of the unexercised share option granted by the Company recognised in accordance with the accounting policy adopted for share-based payments in note 4(n).

(e) Exchange fluctuation reserve represents gains/losses arising on retranslating the net assets of foreign operations into Hong Kong dollars.

28. 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
	HK$'000
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
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)
At 31 December 2022	**8,581**

28. LEASE (Continued)

Leases as lessee (Continued)

(ii) Amounts recognised in profit or loss

	2022 HK$'000	2021 HK$'000
Interest on lease liabilities *(note 24)*	349	524
Expenses relating to short-term leases	12	1,378
Gain on the modification of lease	(239)	(311)
	122	1,591
Aggregate undiscounted commitments for short-term leases	–	–

(iii) Amounts recognised in statement of cash flows

	2022 HK$'000	2021 HK$'000
Total cash outflow for leases	(3,188)	(5,724)

29. SHARE-BASED PAYMENT

Equity-settled share option scheme of the Company

On 27 April 2012, the shareholders of the Company approved the adoption of a new share option scheme (the "2012 Scheme") and the termination of the share option scheme adopted on 7 June 2002. The 2012 Scheme was adopted by the Company on 30 April 2012.

Under the 2012 Scheme, the Directors may, at their discretion, invite any eligible participants to take up share option(s) ("Share Option(s)") to subscribe for ordinary share(s) of HK$0.01 each in the share capital of the Company ("Share(s)"). The exercise price for the Share Options shall be determined in accordance with the 2012 Scheme and the relevant provisions of the Listing Rules. The costs for the value of the grant of share options were recognised as an expense during the year.

In the annual general meeting of the Company held on 21 May 2020, the share option scheme of a wholly-owned subsidiary of the Company, Easy Prime, was adopted by an ordinary resolution passed by the shareholders of the Company. No Share Option was granted under the Easy Prime share option scheme during the years ended 31 December 2022 and 2021.

On 26 May 2022, the shareholders of the Company at the annual general meeting approved a new share option scheme (the "2022 Scheme") which is adopted on 30 May 2022 and the 2012 Scheme expired on 30 April 2022 to the effect that no further Share Options shall be offered under the 2012 Scheme but the Share Options which had been granted during the life of the 2012 Scheme shall continue to be valid and exercisable.

Under the 2022 Scheme, the Directors may, at their discretion, invite any eligible participants to take up Share Options to subscribe for ordinary share(s) of HK$0.01 each in the Shares. The exercise price for the Share Options shall be determined in accordance with the 2022 Scheme and the relevant provisions of the Listing Rules.

No Share Option was granted under 2012 Scheme during the year ended 31 December 2022.

29. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme of the Company (Continued)

The terms and conditions of the grants and movements in the number of Share Options under both 2012 Scheme and 2022 Scheme during the year were as follows:

2022

	Number of Share Options							
	At beginning of year	Granted during the year	Exercised during the year	Lapsed during the year	Reclassi-fication *(note (i))*	At end of year	Exercise price HK$	Exercise period
Executive directors								
Dr. Zhang Lijun								
— on 19 March 2021	1,000,000	–	–	–	–	1,000,000	1.120	19/03/2021 to 18/03/2026
	1,000,000	–	–	–	–	1,000,000		
Mr. Peng Xitao								
— on 19 March 2021	2,000,000	–	–	–	–	2,000,000	1.120	19/03/2021 to 18/03/2026
	2,000,000	–	–	–	–	2,000,000		
Ms. Cheng Po Chuen								
— on 30 March 2020	15,000,000	–	–	–	–	15,000,000	0.385	30/03/2020 to 29/03/2023
— on 5 October 2020	10,000,000	–	–	–	–	10,000,000	0.385	05/10/2020 to 04/10/2025
— on 19 March 2021	2,000,000	–	–	–	–	2,000,000	1.120	19/03/2021 to 18/03/2026
	27,000,000	–	–	–	–	27,000,000		
Sub-total	30,000,000	–	–	–	–	30,000,000		

29. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme of the Company (Continued)

2022 (Continued)

	Number of Share Options							
	At beginning of year	Granted during the year	Exercised during the year	Lapsed during the year	Reclassi-fication *(note (i))*	At end of year	Exercise price HK$	Exercise period
Independent non-executive directors								
Dr. Loke Yu (alias Loke Hoi Lam)								
— on 5 July 2019	1,000,000	–	–	–	(1,000,000)	–	0.385	05/07/2019 to 04/07/2022
— on 5 October 2020	500,000	–	–	–	(500,000)	–	0.385	05/10/2020 to 04/10/2025
	1,500,000	–	–	–	(1,500,000)	–		
Mr. Zang Dongli								
— on 30 March 2020	3,000,000	–	–	–	–	3,000,000	0.385	30/03/2020 to 29/03/2023
	3,000,000	–	–	–	–	3,000,000		
Mr. Zhou Jingping								
— on 5 October 2020	3,000,000	–	–	–	–	3,000,000	0.385	05/10/2020 to 04/10/2025
	3,000,000	–	–	–	–	3,000,000		
Sub-total	7,500,000	–	–	–	(1,500,000)	6,000,000		

29. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme of the Company (Continued)

2022 (Continued)

	Number of Share Options							
	At beginning of year	Granted during the year	Exercised during the year	Lapsed during the year	Reclassi-fication *(note (i))*	At end of year	Exercise price HK$	Exercise period
Employees								
— on 5 July 2019	36,690,000	–	–	(36,690,000)	–	–	0.385	05/07/2019 to 04/07/2022
— on 30 March 2020	1,500,000	–	–	–	–	1,500,000	0.385	30/03/2020 to 29/03/2023
— on 5 October 2020	29,000,000	–	–	(1,000,000)	–	28,000,000	0.385	05/10/2020 to 04/10/2025
— on 19 March 2021	4,000,000	–	–	–	–	4,000,000	1.120	19/03/2021 to 18/03/2026
— on 5 July 2022	–	16,000,000	–	–	–	16,000,000	0.570	05/07/2022 to 04/07/2027
Sub-total	71,190,000	16,000,000	–	(37,690,000)	–	49,500,000		
Service providers *(note (iii))*								
— on 5 July 2019	10,000,000	–	–	(10,000,000)	–	–	0.385	05/07/2019 to 04/07/2022
— on 30 March 2020	3,000,000	–	–	–	–	3,000,000	0.385	30/03/2020 to 29/03/2023
— on 19 March 2021	1,000,000	–	–	–	–	1,000,000	1.120	19/03/2021 to 18/03/2026
Sub-total	14,000,000	–	–	(10,000,000)	–	4,000,000		
Former directors								
— on 5 July 2019	2,000,000	–	–	(3,000,000)	1,000,000	–	0.385	05/07/2019 to 04/07/2022
— on 5 October 2020	3,500,000	–	–	–	500,000	4,000,000	0.385	05/10/2020 to 04/10/2025
Sub-total	5,500,000	–	–	(3,000,000)	1,500,000	4,000,000		
Total	128,190,000	16,000,000	–	(50,690,000)	–	93,500,000		

29. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme of the Company (Continued)

2021

	Number of Share Options							
	At beginning of year	Granted during the year	Exercised during the year	Lapsed during the year	Reclassi-fication *(note (i))*	At end of year	Exercise price HK$	Exercise period
Executive directors								
Dr. Zhang Lijun								
— on 25 January 2018	2,000,000	–	(2,000,000)	–	–	–	0.229	25/01/2018 to 24/01/2021
— on 19 March 2021	–	1,000,000	–	–	–	1,000,000	1.120	19/03/2021 to 18/03/2026
	2,000,000	1,000,000	(2,000,000)	–	–	1,000,000		
Ms. Wang Chun								
— on 25 January 2018	3,000,000	–	–	–	(3,000,000)	–	0.229	25/01/2018 to 24/01/2021
	3,000,000	–	–	–	(3,000,000)	–		
Mr. Ji Qiang								
— on 5 July 2019	3,000,000	–	–	–	(3,000,000)	–	0.385	05/07/2019 to 04/07/2022
— on 5 October 2020	3,000,000	–	–	–	(3,000,000)	–	0.385	05/10/2020 to 04/10/2025
	6,000,000	–	–	–	(6,000,000)	–		
Mr. Peng Xitao								
— on 19 March 2021	–	2,000,000	–	–	–	2,000,000	1.120	19/03/2021 to 18/03/2026
	–	2,000,000	–	–	–	2,000,000		
Ms. Cheng Po Chuen								
— on 30 March 2020	15,000,000	–	–	–	–	15,000,000	0.385	30/03/2020 to 29/03/2023
— on 5 October 2020	10,000,000	–	–	–	–	10,000,000	0.385	05/10/2020 to 04/10/2025
— on 19 March 2021	–	2,000,000	–	–	–	2,000,000	1.120	19/03/2021 to 18/03/2026
	25,000,000	2,000,000	–	–	–	27,000,000		
Sub-total	36,000,000	5,000,000	(2,000,000)	–	(9,000,000)	30,000,000		

29. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme of the Company (Continued)

2021 (Continued)

	Number of Share Options							
	At beginning of year	Granted during the year	Exercised during the year	Lapsed during the year	Reclassi-fication *(note (i))*	At end of year	Exercise price HK$	Exercise period
Independent non-executive directors								
Dr. Loke Yu (alias Loke Hoi Lam)								
— on 25 January 2018	750,000	–	(750,000)	–	–	–	0.229	25/01/2018 to 24/01/2021
— on 5 July 2019	1,000,000	–	–	–	–	1,000,000	0.385	05/07/2019 to 04/07/2022
— on 5 October 2020	500,000	–	–	–	–	500,000	0.385	05/10/2020 to 04/10/2025
	2,250,000	–	(750,000)	–	–	1,500,000		
Prof. Gong Zhankui								
— on 25 January 2018	750,000	–	–	–	(750,000)	–	0.229	25/01/2018 to 24/01/2021
— on 5 July 2019	1,000,000	–	–	–	(1,000,000)	–	0.385	05/07/2019 to 04/07/2022
— on 5 October 2020	500,000	–	–	–	(500,000)	–	0.385	05/10/2020 to 04/10/2025
	2,250,000	–	–	–	(2,250,000)	–		
Mr. Wang Linan								
— on 25 January 2018	750,000	–	–	–	(750,000)	–	0.229	25/01/2018 to 24/01/2021
— on 5 July 2019	1,000,000	–	–	–	(1,000,000)	–	0.385	05/07/2019 to 04/07/2022
— on 5 October 2020	500,000	–	–	–	(500,000)	–	0.385	05/10/2020 to 04/10/2025
	2,250,000	–	–	–	(2,250,000)	–		
Mr. Zang Dongli								
— on 30 March 2020	–	–	–	–	3,000,000	3,000,000	0.385	30/03/2020 to 29/03/2023
	–	–	–	–	3,000,000	3,000,000		
Mr. Zhou Jingping								
— on 5 October 2020	–	–	–	–	3,000,000	3,000,000	0.385	05/10/2020 to 04/10/2025
	–	–	–	–	3,000,000	3,000,000		
Sub-total	6,750,000	–	(750,000)	–	1,500,000	7,500,000		

29. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme of the Company (Continued)

2021 (Continued)

	Number of Share Options							
	At beginning of year	Granted during the year	Exercised during the year	Lapsed during the year	Reclassi-fication *(note (i))*	At end of year	Exercise price HK$	Exercise period
Employees								
— on 25 January 2018	–	–	–	(3,000,000)	3,000,000	–	0.229	25/01/2018 to 24/01/2021
— on 5 July 2019	42,000,000	–	(5,310,000)	–	–	36,690,000	0.385	05/07/2019 to 04/07/2022
— on 30 March 2020	2,000,000	–	(500,000)	–	–	1,500,000	0.385	30/03/2020 to 29/03/2023
— on 5 October 2020	29,500,000	–	(500,000)	–	–	29,000,000	0.385	05/10/2020 to 04/10/2025
— on 19 March 2021	–	4,000,000	–	–	–	4,000,000	1.120	19/03/2021 to 18/03/2026
Sub-total	73,500,000	4,000,000	(6,310,000)	(3,000,000)	3,000,000	71,190,000		
Others *(note (ii))*								
— on 25 January 2018	–	–	–	(1,500,000)	1,500,000	–	0.229	25/01/2018 to 24/01/2021
— on 5 July 2019	20,000,000	–	(13,000,000)	–	5,000,000	12,000,000	0.385	05/07/2019 to 04/07/2022
— on 30 March 2020	6,000,000	–	–	–	(3,000,000)	3,000,000	0.385	30/03/2020 to 29/03/2023
— on 5 October 2020	3,000,000	–	(500,000)	–	1,000,000	3,500,000	0.385	05/10/2020 to 04/10/2025
— on 19 March 2021	–	1,000,000	–	–	–	1,000,000	1.120	19/03/2021 to 18/03/2026
Sub-total	29,000,000	1,000,000	(13,500,000)	(1,500,000)	4,500,000	19,500,000		
Total	145,250,000	10,000,000	(22,560,000)	(4,500,000)	–	128,190,000		

Notes:

(i) *Dr. Loke Yu (alias Loke Hoi Lam) was retired as independent non-executive director on 26 May 2022. Accordingly, his Share Options are reclassified from independent non-executive directors category to former directors category.*

Ms. Wang Chun and Mr. Ji Qiang resigned as executive directors of the Company on 1 January 2021. Accordingly, Ms. Wang Chun's Share Options are reclassified from executive directors category to employees category and Mr. Ji Qiang's Share Options are reclassified from executive directors category to others category.

Prof. Gong Zhankui and Mr. Wang Linan resigned as independent non-executive directors on 1 January 2021. Accordingly, their Share Options are reclassified from independent non-executive directors category to others category.

Mr. Zang Dongli and Mr. Zhou Jingping were appointed as independent non-executive directors of the Company on 1 January 2021. Accordingly, their Share Options are reclassified from others category to independent non-executive directors category.

(ii) *The "others" grantees consist of consultants who were appointed by the Company to provide strategy development advice for the development of the Group and to introduce potential business partners to the Group.*

(iii) *The "service providers" category consist of consultants who were appointed by the Company to provide strategy development advice for the development of the Group and to introduce potential business partners to the Group.*

29. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme of the Company (Continued)

On 19 March 2021, a total of 10,000,000 Share Options were granted to directors and eligible participants under the 2012 Scheme and entitled the grantees to subscribe for ordinary shares at an exercise price of HK$1.12 per share. The Share Options are vested immediately and may be exercisable during the period from 19 March 2021 to 18 March 2026. Accordingly, the related share-based payment expenses amounted to HK$1,291,000 was recognised in the consolidated statement of profit or loss and other comprehensive income and credited to the share-based compensation reserve for the year ended 31 December 2021.

Fair value of Share Options granted was determined using the Binomial valuation model and assumptions are as follows:

Fair value at grant date	HK$0.102 — HK$0.274
Weighted average closing price immediately before the date of grant	HK$0.570
Weighted average contractual life	5 years
Expected volatility	77.09%
Expected dividend rate	0%
Risk-free interest rate	0.75%

On 5 July 2022, a total of 16,000,000 Share Options were granted to eligible participants under the 2022 Scheme and entitled the grantees to subscribe for ordinary shares at an exercise price of HK$0.57 per share. The Share Options are vested immediately and may be exercisable during the period from 5 July 2022 to 4 July 2027. Accordingly, the related share-based payment expenses amounted to HK$940,000 was recognised in the consolidated statement of profit or loss and other comprehensive income and credited to the share-based compensation reserve for the year ended 31 December 2022.

Fair value of Share Options granted was determined using the Binomial valuation model and assumptions are as follows:

Fair value at grant date	HK$0.059
Weighted average closing price immediately before the date of grant	HK$0.305
Weighted average contractual life	5 years
Expected volatility	79.91%
Expected dividend rate	0%
Risk-free interest rate	2.48%

29. SHARE-BASED PAYMENT (Continued)

Equity-settled share option scheme of the Company (Continued)

The expected volatility is estimated with reference to the historical volatility of the daily share price of the Company for a period equal to the expected life preceding the grant date. The expected life of the options is based on the contractual life of the options and historical data over the past years, and is not necessarily indicative of the exercise patterns that may occur. Expected dividend rate is based on historical dividend rates of the Company. Changes in the subjective input assumptions could materially affect the fair value estimate.

Details and movements of share options are as follows:

	Weighted average exercise price	Number
		'000
At 1 January 2021	HK$0.377	145,250
Granted during the year	HK$1.120	10,000
Exercised during the year	HK$0.366	(22,560)
Lapsed during the year	HK$0.229	(4,500)
At 31 December 2021	HK$0.442	128,190
Granted during the year	HK$0.570	16,000
Lapsed during the year	HK$0.385	(50,690)
At 31 December 2022	**HK$0.495**	**93,500**

The weighted average exercise price of options outstanding at the end of the year is HK$0.495 (2021: HK$0.442) and their weighted average remaining contractual life was 2.68 years (2021: 1.94 years). The weighted average closing share price immediately before the dates of exercise of Share Options during the year ended 31 December 2021 was HK$0.584.

Of the total number of options outstanding at the end of the year, all were vested immediately at their respective date of grant and exercisable at the end of the year.

No share options were exercised during the year ended 31 December 2022.

In 2022, 50,690,000 share options lapsed. Accordingly, the related share-based compensation reserve of HK$2,271,000 was released to accumulated losses.

30. NOTES SUPPORTING STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents comprise:

	2022 HK$'000	2021 HK$'000
Cash available on demand	77,905	80,938

The Group's bank balances that are denominated in foreign currencies of the relevant group entities (whose functional currency is HK$) are set out as below:

	2022 HK$'000	2021 HK$'000
Denominated in RMB	71,543	71,854
Denominated in United States dollars ("USD")	3,992	2,817

(b) Reconciliation of liabilities arising from financing activities:

	Bank borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2022	12,257	6,809	19,066
Changes from financing cash flows			
Proceeds from bank borrowings	34,867	–	34,867
Repayment of bank borrowings	(11,622)	–	(11,622)
Payment of lease liabilities	–	(3,188)	(3,188)
Interest paid	(764)	–	(764)
Total changes from financing cash flows	22,481	(3,188)	19,293
Other changes			
Interest expense	764	349	1,113
Addition of new lease	–	8,227	8,227
Modification of lease	–	(3,250)	(3,250)
Exchange differences	(1,543)	(354)	(1,897)
Total liability-related other changes	(779)	4,972	4,193
At 31 December 2022	33,959	8,593	42,552

30. NOTES SUPPORTING STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities: (Continued)

	Bank borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2021	8,838	22,555	31,393
Changes from financing cash flows			
Proceeds from bank borrowings	12,073	–	12,073
Repayment of bank borrowings	(9,055)	–	(9,055)
Payment of lease liabilities	–	(5,724)	(5,724)
Interest paid	(469)	–	(469)
Total changes from financing cash flows	2,549	(5,724)	(3,175)
Other changes			
Interest expense	469	524	993
Addition of new lease	–	8,500	8,500
Modification of lease	–	(12,342)	(12,342)
Disposal of subsidiaries	–	(7,139)	(7,139)
Exchange differences	401	435	836
Total liability-related other changes	870	(10,022)	(9,152)
At 31 December 2021	12,257	6,809	19,066

(c) Significant non-cash transactions

Save as disclosed in note 19, the Group had the following significant non-cash transactions during the years:

During the year ended 31 December 2022, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to HK$8,227,000 (2021: HK$8,500,000) (note 28) was recognised at the lease commencement date.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The following is the statement of financial position of the Company as at 31 December 2022 and 31 December 2021:

	Notes	2022 HK$'000	2021 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		78	352
Interests in subsidiaries		960,664	946,928
Financial assets at fair value through other comprehensive income		155,394	250,834
		1,116,136	1,198,114
CURRENT ASSETS			
Other receivables, deposits and prepayments		8,165	24,542
Financial assets at fair value through profit or loss		2,880	4,118
Amounts due from subsidiaries		629,695	632,871
Amount due from a related company		33	33
Cash and cash equivalents		4,922	8,336
		645,695	669,900
CURRENT LIABILITIES			
Deposits received, other payables and accruals		190,061	184,479
Amounts due to subsidiaries		1,751,818	1,888,861
Amount due to a related company		3,603	3,603
Tax payable		5,748	5,748
		1,951,230	2,082,691
NET CURRENT LIABILITIES		(1,305,535)	(1,412,791)
NET LIABILITIES		(189,399)	(214,677)
EQUITY			
Share capital	26	45,262	45,262
Reserves	27	(234,661)	(259,939)
TOTAL EQUITY		(189,399)	(214,677)

Peng Xitao
Director

Cheng Po Chuen
Director

32. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2022 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ type of entity	Place of operation	Nominal value of issued ordinary/ registered and paid up capital	Attributable equity interest held by the Company		Principal activities
				Directly	Indirectly	
北京日升影響文化交流有限公司 Beijing Risheng Impact Cultural Exchange Co. Ltd ("TMD3")	PRC/ Wholly-owned foreign enterprise	PRC	RMB301,975,900	–	100%	Provision of advertisement production services
Crazy Sports (HK) Limited	Hong Kong/ Limited liability company	Hong Kong	HK$300,000	–	100%	Investment holding
瘋狂新遊（北京）技術有限公司 Crazy Xinyou (Beijing) Technology Co., Ltd	PRC/ Wholly-owned foreign enterprise	PRC	RMB1,000,000	–	100%	Investment holding
北京瘋狂體育產業管理有限公司 Beijing Crazy Sports Management Company Limited ("Crazysports")	PRC/ Limited liability company	PRC	RMB10,230,000	–	100%	Development and operation of mobile applications
霍爾果斯瘋狂新遊網絡科技有限公司 Khorgos Crazy	PRC/ Limited liability company	PRC	RMB1,000,000	–	100%	Development and operation of mobile applications
Easy Prime	BVI/ Limited liability company	Hong Kong	USD10,000	100%	–	Investment holding
海南日昌新通信息科技有限公司 Hainan Ri Chang Xin Tong Information Technology Company Limited ("Hainan Ri Chang")	PRC/ Limited liability company	PRC	RMB10,000,000	–	100%	Software development
Smart Token	BVI/ Limited liability company	Hong Kong	USD1,000	100%	–	Investment holding
Goal Dynasty Limited	BVI/ Limited liability company	Hong Kong	USD1	100%	–	Investment holding

33. CAPITAL COMMITMENTS

	2022 HK$'000	2021 HK$'000
Contracted, but not provided for:		
— Intangible assets	4,415	7,232

34. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in these financial statements, the Group entered into the following related party transactions during the years.

	2022 HK$'000	2021 HK$'000
Service fee charge by a related company, Beijing First Video Network Technology Group Co., Ltd.	112	41

The transactions are made at prices mutually agreed by both parties.

Dr. Zhang Lijun, Director of the Company is the ultimate beneficial owner of Beijing First Video Network Technology Group Co., Ltd.

(b) The remuneration of directors and other members of key managements during the year is as follows:

	2022 HK$'000	2021 HK$'000
Short term benefits	23,963	24,591
Share-based payments	388	638
	24,351	25,229

34. RELATED PARTY TRANSACTIONS (Continued)

(c) On 28 March 2022, Mr. Peng Xitao, being the director of the Group, entered into a guarantee agreement with a third party corporate, Beijing Yizhuang International Finance Guarantee Co. Ltd ("Beijing Yizhuang"), pursuant to which an unlimited personal guarantee by Mr. Peng Xitao was granted in favour of Beijing Yizhuang as counter-guarantee. Beijing Yizhuang will provide guarantee to the Bank of China for a banking facility of RMB5,000,000 granted to the Group.

On 11 February 2022 and 23 June 2022, Mr. Peng Xitao, being the director of the Group and Mr. Wei Guilei, being the director of a subsidiary of the Group, entered into guarantee agreements with a third party corporate, Beijing SME Finance Re-guarantee Co. Ltd ("Beijing SME"), pursuant to which a property owned by Mr. Peng Xitao, unlimited personal guarantee by Mr. Peng Xitao, unlimited personal guarantee by Mr. Wei Guilei and corporate guarantee by a subsidiary of the Group were granted in favour of Beijing SME as counter-guarantee. Beijing SME will provide guarantee to the Bank of China for banking facilities totalling RMB13,000,000 granted to the Group.

On 23 June 2022, Mr. Peng Xitao, being the director of the Group and Mr. Wei Guilei, being the director of a subsidiary of the Group, entered into a guarantee agreement with a third party corporate, Beijing Shichuang Tongsheng Finance Guarantee Co., Ltd. ("Beijing Shichuang"), pursuant to which a property owned by Mr. Peng Xitao, unlimited personal guarantee by Mr. Peng Xitao, unlimited personal guarantee by Mr. Wei Guilei and corporate guarantee by a subsidiary of the Group were granted in favour of Beijing Shichuang as counter-guarantee. Beijing Shichuang will provide guarantee to the Bank of Beijing for banking facilities totalling RMB7,000,000 granted to the Group.

On 21 December 2022, Mr. Peng Xitao, being the director of the Group, entered into an agreement with China CITIC Bank, an unlimited personal guarantee is provided by Mr. Peng Xitao to the China CITIC Bank for a banking facility of RMB5,000,000 granted to the Group.

(d) On 9 March 2021, Mr. Peng Xitao, being the director of the Group, entered into a guarantee agreement with a third party corporate, Beijing Yizhuang, pursuant to which unlimited personal guarantee by Mr. Peng Xitao and corporate guarantee by a subsidiary of the Group were guaranteed to Beijing Yizhuang as counter-guarantee. Beijing Yizhuang will provide guarantee to the Bank of China for a banking facility of RMB5,000,000 granted to the Group.

On 25 June 2021, Mr. Peng Xitao, being the director of the Group, and Mr. Wei Guilei, being the director of a subsidiary of the Group, entered into a guarantee agreement with a third party corporate, Beijing SME, pursuant to which a property owned by Mr. Peng Xitao and unlimited personal guarantee by Mr. Peng Xitao and Mr. Wei Guilei were guaranteed to Beijing SME as counter-guarantee. Beijing SME will provide guarantee to the Bank of China for a banking facility of RMB5,000,000 granted to the Group.

34. RELATED PARTY TRANSACTIONS (Continued)

(e) Amounts due from related companies, which is disclosed pursuant to the disclosure requirements of the Hong Kong Companies Ordinance, is as follows:

Details of the balances with the related companies are as follows:

	2022 HK$'000	2021 HK$'000
Balance at 1 January	1,042	163
Balance at 31 December	682	1,042
Maximum amount outstanding during the year	1,042	1,042

The amounts due from the related companies are interest-free, unsecured and repayable on demand.

(f) The amounts due to related companies are interest-free, unsecured and repayable on demand.

(g) The amount due from non-controlling interest included in other receivables amounting to HK$1,472,000 is unsecured, interest free and have no fixed term of repayment.

35. 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:

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

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

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

Net cash outflow arising on disposal

	23 June 2022 HK$'000
Total cash consideration	3,632
Cash and cash equivalents disposed of	(796)
Other receivables	(3,632)
	(796)

35. DISPOSAL OF SUBSIDIARIES (Continued)

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)
Net assets disposed of	424

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
Gain on disposal of subsidiaries	16,725

35. DISPOSAL OF SUBSIDIARIES (Continued)

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

(b) Disposal of Beijing Cloud Times Digital Technology Co., Ltd. ("Beijing Cloud") (Continued)

Net cash inflow arising on disposal

	28 February 2021 HK$'000
Total cash consideration	240
Cash and cash equivalents disposed of	(142)
	98

36. FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate, currency and equity price risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables, other receivables and amounts due from related companies arising from trade transactions. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The credit risk of bank balances is limited because the counterparties are banks with good reputation and most of them are state-owned commercial banks in China or public listed companies. Most of the bank deposits of the Group are placed with commercial banks with an acceptable credit rating.

Trade receivables

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide financial guarantee which would expose the Group to credit risk.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicated significantly different loss patterns for different customer segments, the grouping for trade receivables for the assessment of ECLs is by aging of past due day. After applying the ECL model, the Directors considered that no provision for impairment loss on trade receivables is required as the calculated ECL is minimal.

36. FINANCIAL RISK MANAGEMENT (Continued)

Other receivables and amount due from a former associate

The Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables and amount due from a former associate based on historical settlement records and past experience as well as ECL assessment. During 2022, ECLs of approximately HK$21,583,000 on other receivables is recognised as management consider the amount due has defaulted. Except the above, it is considered low risk as the debtors are considered, in the short term, to have a strong capacity to meet its obligations. The movement in provision for ECL of other receivables and amount due from a former associate is as follows:

	HK$'000
At January 2021	54,670
Exchange adjustments	85
At 31 December 2021 and 1 January 2022	54,755
Disposal of a subsidiary	(72,737)
Provision of ECL	21,583
Exchange adjustments	(205)
At 31 December 2022	3,396

Amounts due from related companies

The Directors consider that the credit risk arising from trading transactions with the related companies is minimal. After applying the expected credit loss rate to gross amounts due from related companies, the management considered that no significant impairment loss of financial assets should be recognised in the consolidated financial statements.

Liquidity risk

The Group's policy are to regularly monitor its liquidity requirements and its compliance with lending covenants and to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

At the end of reporting period, except for the lease liabilities of HK$8,593,000 (2021: HK$6,809,000) all the Group's and the Company's financial liabilities based on contractual undiscounted cash flows are within one year or on demand.

36. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

The Group's bank deposits have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits. The Directors consider the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank deposits have short maturity periods.

The Group's fair value interest rate risk mainly arises from borrowings as disclosed in note 24. Borrowings were issued at fixed rates which expose the Group to fair value interest rate risk. The Group has no cash flow interest rate risk as there are no borrowings which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The Group analyses the interest rate exposure on a quarterly basis. A sensitivity analysis is performed by applying a simulation technique to the liabilities that represent major interest bearing positions. Various scenarios are taking into consideration renewal of the existing positions. Based on the simulations performed, the impact on profit or loss and net assets of a 100 basis-point shift (being the maximum reasonable expectation of changes in interest rates) would be an increase of HK$82,000 (2021: HK$43,000) or a decrease of HK$82,000 (2021: HK$43,000). The gain or loss potential is then compared to the limits determined by management.

Currency risk

Most of the subsidiaries' functional currency is RMB since majority of the revenue of the Group are derived from operations in the PRC. RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Other than the above, the Group does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

Equity price risk

The Group is exposed to equity price changes arising from equity instruments measured at FVTPL.

The Group's listed investments are listed on NASDAQ. Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to other industry indicators, as well as the Group's liquidity needs.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

36. FINANCIAL RISK MANAGEMENT (Continued)

Sensitivity analysis

The sensitivity analysis on equity price risk includes the Group's financial instruments, which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. If the prices of the respective listed equity instruments had been 5% higher/lower, profit for the year would increase/decrease by HK$14,000 (2021: HK$27,000).

37. CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of equity attributable to owners of the Company only, comprising share capital and reserves.

The gearing ratio as at 31 December 2022 and 2021 were as follows:

	2022 **HK$'000**	2021 HK$'000
Bank borrowings	**33,959**	12,257
Total equity attributable to owners of the Company	**813,085**	1,052,614
Gearing ratio	**4.18%**	1.16%

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2022 and 2021 may be categorised as follows:

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at amortised cost	299,205	251,783
Financial assets at FVTPL	2,880	4,118
Financial assets at FVOCI	267,729	402,484
	569,814	658,385
Financial liabilities		
Financial liabilities at amortised cost	197,099	126,993
Lease liabilities	8,593	6,809
	205,692	133,802

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

	2022			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVOCI	**–**	**–**	**267,729**	**267,729**
Financial assets at FVTPL	**2,880**	**–**	**–**	**2,880**
	2,880	**–**	**267,729**	**270,609**

	2021			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVOCI	–	–	402,484	402,484
Financial assets at FVTPL	4,118	–	–	4,118
	4,118	–	402,484	406,602

For the financial assets at fair value through other comprehensive income, it mainly consisted of unlisted investment fund as detailed in note 19.

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

Significant unobservable inputs

CPC Fund

The fair value of the CPC Fund as at 31 December 2022 and 2021 are arrived at based on a valuation carried out by Graval, an independent firm of professionally qualified valuer. The fair value was determined based on adjusted net asset method, where fair value estimated with references to the fair value of the underlying investments of the CPC Fund, which are appraised by market approach referencing to comparable companies' benchmark multiples.

Market multiples of comparable companies adopted	**At 31 December 2022**	At 31 December 2021
— Price-to-earnings ratio ("P/E Ratio")	**24.98**	35.10
— P/B Ratio	**3.39**	3.09
— Price-to-sales ratio ("P/S Ratio")	**4.66-5.96**	4.71-7.43
— Market rate of return	**-0.89-1.29**	-0.83-1.75
Discount for lack of marketability	**15.70%**	15.80%

Had the P/E Ratio of comparable companies adopted increased by 1%, it would increase the fair value of the unlisted investment by HK$203,000 (2021: increase by HK$347,000). Had the P/E Ratio of comparable companies adopted decreased by 1%, it would decrease the fair value of the unlisted investment by HK$203,000 (2021: decrease by HK$347,000).

Had the P/B Ratio of comparable companies adopted increased by 1%, it would increase the fair value of the unlisted investment by HK$14,000 (2021: increase by HK$34,000). Had the P/B Ratio of comparable companies adopted decreased by 1%, it would decrease the fair value of the unlisted investment by HK$14,000 (2021: decrease by HK$34,000).

Had the P/S Ratio of comparable companies adopted increased by 1%, it would increase the fair value of the unlisted investment by HK$266,000 (2021: increase by HK$558,000). Had the P/S Ratio of comparable companies adopted decreased by 1%, it would decrease the fair value of the unlisted investment by HK$266,000 (2021: decrease by HK$558,000).

Had the market rate of return of comparable companies adopted increased by 1%, it would increase the fair value of unlisted investment by HK$312,000 (2021: increase by HK$208,000). Had the market rate of the comparable companies adopted decreased by 1%, it would decrease the fair value of the unlisted investment by HK$312,000 (2021: decrease by HK$208,000).

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

Significant unobservable inputs (Continued)

Golden Rock

The fair value of the Golden Rock as at 31 December 2021 was arrived at based on a valuation carried out by Graval, an independent firm of professionally qualified valuer. The fair value was determined based on adjusted net asset method, where fair value estimated with references to the fair value of the underlying investments of the Golden Rock, which were appraised by market approach referencing to comparable companies' benchmark multiples.

Market multiples of comparable companies adopted	At 31 December 2021
— P/S Ratio	6.35
Discount for lack of marketability	15.80%

As at 31 December 2021, had the P/S Ratio of comparable companies adopted increased by 1%, it would increase the fair value of the unlisted investment by HK$277,000. Had the P/S Ratio of comparable companies adopted decreased by 1%, it would decrease the fair value of the unlisted investment by HK$277,000.

New Rock Capital Fund

The fair value of the New Rock Capital Fund as at 31 December 2022 and 2021 is arrived at based on a valuation carried out by Graval, an independent firm of professionally qualified valuer. The fair value is determined based on adjusted net asset method, where fair value estimated with references to the fair value of the underlying investments of the New Rock Capital Fund, which are appraised by market approach referencing to comparable companies' benchmark multiples.

Market multiples of comparable companies adopted	**At 31 December 2022**	At 31 December 2021
— P/S Ratio	**1.16-4.33**	1.87-6.35
— P/B Ratio	**0.76**	0.47-3.84
Discount for lack of marketability	**15.80%**	15.80%

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (Continued)

Significant unobservable inputs (Continued)

New Rock Capital Fund (Continued)

Had the P/S Ratio of comparable companies adopted increased by 1%, it would increase the fair value of the unlisted investment by HK$787,000 (2021: increase by HK$419,000). Had the P/S Ratio of comparable companies adopted decreased by 1%, it would decrease the fair value of the unlisted investment by HK$787,000 (2021: decrease by HK$419,000).

Had the P/B Ratio of comparable companies adopted increased by 1%, it would increase the fair value of the unlisted investment by HK$102,000 (2021: increase by HK$314,000). Had the P/B Ratio of comparable companies adopted decreased by 1%, it would decrease the fair value of the unlisted investment by HK$102,000 (2021: decrease by HK$314,000).

The following table shows the reconciliation of Level 3 fair value measurement of the unlisted investment funds:

	2022 **HK$'000**	2021 HK$'000
Balance as at 1 January	**402,484**	361,651
Addition *(note 19(b)(ii)(iii))*	**13,736**	29,416
Change in fair value (included in other comprehensive income)	**(148,491)**	11,417
Balance as at 31 December	**267,729**	402,484

The Directors consider that the carrying amounts of financial assets and financial liabilities carried at amortised cost in the financial statements approximate their fair values.

There were no transfers between levels during the years.

39. MATERIAL INTEREST OF DIRECTORS IN TRANSACTION, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company was a party and in which the directors of the Company or an entity connected with the Directors had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

40. DIVIDEND

The directors of the Company have decided not to declare any dividend for the years ended 31 December 2022 and 2021.

41. PLEDGE OF ASSET

Save for those disclosed in other parts of this report, 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.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were reviewed by the Audit Committee and approved and authorised for issue by the Board of Directors on 30 March 2023.

Five-Year Financial Summary

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements of the Group and reclassified as appropriate, is set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**703,455**	511,218	2,460,427	2,444,825	3,381,809
Gross profit/(loss)	**252,462**	229,168	113,388	127,302	(32,616)
Profit/(Loss) before income tax	**16,045**	140,493	(133,472)	(194,098)	(654,714)
Profit/(Loss) for the year	**17,724**	143,208	(131,336)	(190,536)	(654,988)
Profit/(Loss) for the year attributable to owners of the Company	**17,758**	157,012	(131,916)	(185,190)	(647,558)
Total comprehensive income for the year	**(240,502)**	162,168	(98,184)	(215,757)	(682,910)
Total comprehensive income for the year attributable to owners of the Company	**(240,469)**	178,733	(98,415)	(209,096)	(675,865)

Note: The result of the year ended 31 December 2020 was presented on a combined basis of the Group from both continuing and discontinued operations.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Non-current assets	**857,866**	1,069,483	883,549	1,019,494	1,218,487
Current assets	**341,760**	288,131	303,639	252,773	416,204
Total assets	**1,199,626**	1,357,614	1,187,188	1,272,267	1,634,691
Equity					
Equity attributable to owners of the Company	**813,085**	1,052,614	864,333	897,005	1,120,807
Non-controlling interests	**1,778**	–	16,565	16,429	15,370
Total equity	**814,863**	1,052,614	880,898	913,434	1,136,177
Liabilities					
Non-current liabilities	**6,906**	7,318	16,573	22,419	99,644
Current liabilities	**377,857**	297,682	289,717	336,414	398,870
Total liabilities	**384,763**	305,000	306,290	358,833	498,514
Total equity and liabilities	**1,199,626**	1,357,614	1,187,188	1,272,267	1,634,691

Definitions and Glossary of Technical Terms

In this Annual Report, unless the context otherwise requires, the following expressions shall have the following meaning:

"2012 Scheme"	the share option scheme of the Company adopted on 30 April 2012 and expired on 30 April 2022;
"2018 Circular"	the major and connected transaction circular of the Company dated 28 September 2018;
"2021"	the financial year ended 31 December 2021;
"2022"	the financial year ended 31 December 2022;
"2022 AGM"	the annual general meeting of the Company held on 26 May 2022;
"2022 Scheme"	the existing share option scheme of the Company adopted on 30 May 2022;
"3D"	3 Dimensions;
"5G"	5th generation mobile networks;
"AI"	artificial intelligence;
"AIGC"	artificial intelligence-generated content;
"Annual General Meeting"	the annual general meeting of the Company;
"Annual Report"	the annual report of the Company for 2022;
"AR"	augmented reality;
"associates"	has the meaning ascribed to it under the Listing Rules;
"Audit Committee"	the audit committee of the Company;
"Bank of Asia" or "BOA"	Bank of Asia (BVI) Limited, a company incorporated under the laws of BVI with limited liability and a general banking license;

"Board"	the board of Directors;
"BVI"	the British Virgin Islands;
"Bye-laws"	the memorandum of association and bye-laws of the Company as amended, supplemented or otherwise modified from time to time;
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
"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 (stock code: 82);
"Crazy Sports (HK)"	Crazy Sports (HK) Limited, a wholly-owned subsidiary of the Company;
"CSL"	Chinese Football Association Super League;
"Director(s)"	the director(s) of the Company;
"Easy Prime"	Easy Prime Developments Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company;
"Easy Prime Board"	the board of directors of Easy Prime;
"Easy Prime Group"	Easy Prime and its subsidiaries;
"Easy Prime Options"	share option(s) granted under Easy Prime Share Option Scheme;
"Easy Prime Share Option Scheme"	the share option scheme of Easy Prime approved by Shareholders at the Annual General Meeting held on 21 May 2020;
"Easy Prime Share(s)"	share(s) of US$1.00 each in the capital of Easy Prime, or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of Easy Prime from time to time;

"ESG"	environmental, social and governance;
"ESG Committee"	the environmental, social and governance committee of the Company;
"Executive Committee"	the executive committee of the Company;
"FK"	forward kinematics;
"Group", "Crazy Sports", "Crazy Sports Group", "we", or "our"	the Company, together with its subsidiaries;
"Hainan Jinyi" or "Limited Partnership"	海南金易紅單資訊科技合夥企業 (Hainan Jinyi Hongdan Information Technology*), a limited partnership established in the PRC and the equity interest of which is held as to 30%, 30% and 40% by Mr. Sun Yongjun, Mr. Wei Guilei and Mr. Peng Xitao respectively;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Holding Company"	the controlling shareholder (as defined in the Listing Rules) of the Company;
"Invested Entity"	the entity in which any member of the Group holds any equity interest;
"IP"	intellectual property;
"Limited Partners"	the limited partners of Hainan Jinyi;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"MCN"	multi-channel network;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules;

"New VIE Contracts"	collectively, (i) the Exclusive Business Cooperation Agreement; (ii) the Exclusive Call Option Agreement; (iii) the Shareholders' Voting Right Entrustment Agreement; (iv) the Equity Pledge Agreement; and (v) the WFOE's Undertaking signed between the WFOE, the OPCO and the PRC Equity Owners on 31 December 2020;
"Nomination Committee"	the nomination committee of the Company;
"OPCO"	Beijing Crazy Sports Management Company Limited* (北京瘋狂體育產業管理有限公司), a company established in the PRC;
"OPCO Group"	OPCO and its subsidiaries;
"PRC" or "China"	the People's Republic of China;
"PRC Equity Owner(s)"	the shareholder(s) of OPCO;
"R&D"	research and development;
"Remuneration Committee"	the remuneration committee of the Company;
"Renewal Limit"	the limit that the Shareholders in general meeting has approved the renew of the Scheme Mandate Limit such that the total number of Easy Prime Shares (as the case may be) in respect of which options may be granted by the Easy Prime Board (as the case may be) under the Easy Prime Share Option Scheme (as the case may be) and any other share option schemes of Easy Prime (as the case may be) in issue shall not exceed 10% of the total number of Easy Prime Shares (as the case may be) in issue as at the date of approval to renew such limit;
"Restructuring"	the restructuring of the telemedia business of the Group as per announcement of the Company made on 7 December 2020, 11 December 2020 and 24 December 2020;
"RMB"	Renminbi, the lawful currency of the PRC;

"Scheme Mandate Limit"	10% of the total number of Easy Prime Shares in issue;
"Services"	the business support, technical and consulting services, including but not limited to, technical services, business and marketing consultation, intellectual property leasing, system integration and maintenance, research and development of products and intellectual property and Internet network support provided by WFOE to OPCO;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong);
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company;
"Share Option(s)"	share option(s) granted under the 2022 scheme or 2012 scheme;
"Shareholder(s)"	holder(s) of Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"UEFA Euro"	UEFA European Football Championship;
"US$"	United States dollars, the lawful currency of the United States of America
"VIE"	variable interest entity;
"VIE Contracts"	collectively, (i) the Exclusive Business Cooperation Agreement; (ii) the Exclusive Call Option Agreement; (iii) the Shareholders' Voting Right Entrustment Agreement; (iv) the Equity Pledge Agreement; and (v) the WFOE's Undertaking entered into among the WFOE, the OPCO and the PRC Equity Owners;
"VR"	virtual reality;
"WFOE"	瘋狂新遊(北京)技術有限公司 (Crazy New Game (Beijing) Technology Company Limited*), a wholly owned subsidiary of the Easy Prime, and a special purpose company established in the PRC with limited liability;

"XR"	extended reality; and
"%"	per cent.

** for identification purposes only*