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# WANKAONLINE

## WANKA ONLINE INC.

### 萬咖壹聯有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1762)

## FINANCIAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

### HIGHLIGHTS OF ANNUAL RESULTS

	Year ended 31 December		Change
	2020 RMB'000	2019 RMB'000	
Revenue	1,726,746	2,396,187	-27.9%
Gross Profit	242,747	338,215	-28.2%
Operating Profit	95,117	175,776	-45.9%
Profit for the Year Attributable to Owners of the Parent	66,813	105,734	-36.8%
Adjusted EBITDA <sup>(1)</sup>	128,723	246,443	-47.8%
Adjusted Net Profit <sup>(2)</sup>	87,037	159,698	-45.5%
	As at 31 December		Change
	2020 RMB'000	2019 RMB'000	
Total Assets	1,571,620	1,589,114	-1.1%
Total Liabilities	414,822	553,639	-25.1%
Total Equity	1,156,798	1,035,475	11.7%
Current Ratio <sup>(3)</sup>	3.2	2.5	

#### Notes:

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

\* For identification purposes only

The board (the “**Board**”) of directors (the “**Directors**”) of Wanka Online Inc. (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) is pleased to announce the consolidated results of the Group for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) as below.

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>REVENUE</b>	4	<b>1,726,746</b>	2,396,187
Cost of sales	4	<u>(1,483,999)</u>	<u>(2,057,972)</u>
Gross profit		<b>242,747</b>	338,215
Other income and gains	5	<b>18,123</b>	24,508
Selling and distribution expenses		<b>(16,477)</b>	(31,636)
Research and development costs		<b>(73,543)</b>	(45,419)
Administrative expenses		<b>(40,401)</b>	(49,789)
Other expenses and losses		<b>(15,108)</b>	(8,852)
Share-based payment expenses		<u><b>(20,224)</b></u>	<u>(51,251)</u>
Operating profits		<b>95,117</b>	175,776
Finance costs	7	<b>(10,172)</b>	(13,121)
Share of losses of associates		<u><b>(1,490)</b></u>	<u>—</u>
<b>PROFIT BEFORE TAX</b>	6	<b>83,455</b>	162,655
Income tax expense	8	<u><b>(16,642)</b></u>	<u>(56,921)</u>
<b>PROFIT FOR THE YEAR</b>			
ATTRIBUTABLE TO OWNERS OF THE PARENT		<u><b>66,813</b></u>	<u>105,734</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)</b>			
Basic	10	<u><b>RMB0.05</b></u>	<u>RMB0.09</u>
Diluted		<u><b>RMB0.05</b></u>	<u>RMB0.08</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED 31 DECEMBER 2020**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>PROFIT FOR THE YEAR</b>	<b><u>66,813</u></b>	<b><u>105,734</u></b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>2,673</u>	<u>515</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>2,673</u>	<u>515</u>
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	<u>(11,753)</u>	<u>2,481</u>
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	<u>(11,753)</u>	<u>2,481</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>	<b><u>(9,080)</u></b>	<b><u>2,996</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b><u>57,733</u></b>	<b><u>108,730</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 DECEMBER 2020**

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	<b>2019</b> <b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,001</b>	956
Right-of-use assets		<b>4,033</b>	5,323
Goodwill		<b>183,612</b>	183,612
Other intangible assets		<b>13,696</b>	24,388
Investments in associates		<b>3,775</b>	874
Deferred tax assets		<b>4,522</b>	4,596
Prepayments		<b>31,230</b>	—
		<hr/>	<hr/>
Total non-current assets		<b>241,869</b>	219,749
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Accounts receivable	<i>11</i>	<b>571,166</b>	597,485
Prepayments, deposits and other receivables		<b>518,233</b>	390,995
Cash and cash equivalents	<i>12</i>	<b>195,983</b>	261,370
Restricted bank deposits	<i>12</i>	<b>44,369</b>	119,515
		<hr/>	<hr/>
Total current assets		<b>1,329,751</b>	1,369,365
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Accounts payable	<i>13</i>	<b>44,707</b>	94,936
Other payables and accruals		<b>40,917</b>	35,488
Contract liabilities		<b>45,244</b>	99,631
Interest-bearing bank borrowings	<i>14</i>	<b>194,996</b>	235,958
Lease liabilities		<b>2,803</b>	3,638
Income tax payable		<b>82,715</b>	77,445
		<hr/>	<hr/>
Total current liabilities		<b>411,382</b>	547,096
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>918,369</b>	822,269
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,160,238</b>	1,042,018
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Other payables		—	500
Lease liabilities		<b>1,367</b>	1,564
Deferred tax liabilities		<b>2,073</b>	4,479
		<hr/>	<hr/>
Total non-current liabilities		<b>3,440</b>	6,543
		<hr/>	<hr/>
Net assets		<b>1,156,798</b>	1,035,475
		<hr/> <hr/>	<hr/> <hr/>

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>EQUITY</b>		
Equity attributable to owners of the parent		
Issued capital	1	1
Treasury shares	—*	—*
Other reserves	<u>1,156,797</u>	<u>1,035,474</u>
Total equity	<u><u>1,156,798</u></u>	<u><u>1,035,475</u></u>

\* The amount is less than RMB1,000.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 DECEMBER 2019**

	Issued capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital reserve RMB'000	Employee share-based compensation reserve RMB'000	Statutory reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2019	1	- <sup>#</sup>	1,543,850	9,532	38,784	17,300	(32,719)	(701,254)	875,494
Profit for the year	-	-	-	-	-	-	-	105,734	105,734
Other comprehensive income for the year:									
Exchange differences	-	-	-	-	-	-	2,996	-	2,996
Total comprehensive income for the year	-	-	-	-	-	-	2,996	105,734	108,730
Appropriation to statutory reserve funds	-	-	-	-	-	3,192	-	(3,192)	-
Equity-settled share option arrangements	-	-	-	-	51,251	-	-	-	51,251
At 31 December 2019	1	- <sup>#</sup>	1,543,850	9,532	90,035	20,492	(29,723)	(598,712)	1,035,475

<sup>#</sup> The amount is less than RMB1,000.

YEAR ENDED 31 DECEMBER 2020

	Issued capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Capital reserve RMB'000	Employee share-based compensation reserve RMB'000	Statutory reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2020	1	-#	1,543,850	9,532	90,035	20,492	(29,723)	(598,712)	1,035,475
Profit for the year	-	-	-	-	-	-	-	66,813	66,813
Other comprehensive loss for the year:									
Exchange differences	-	-	-	-	-	-	(9,080)	-	(9,080)
Total comprehensive income for the year	-	-	-	-	-	-	(9,080)	66,813	57,733
Issue of shares	-#	-	43,366	-	-	-	-	-	43,366
Issue of shares for restricted share units^	-#	-#	-	-	-	-	-	-	-
Appropriation to statutory reserve funds	-	-	-	-	-	2,385	-	(2,385)	-
Vested restricted share units transferred to employee	-#	-	55,618	-	(55,618)	-	-	-	-
Equity-settled share option arrangements	-	-	-	-	20,224	-	-	-	20,224
At 31 December 2020	1	-#	1,642,834*	9,532*	54,641*	22,877*	(38,803)*	(534,284)*	1,156,798

# The amount is less than RMB1,000.

\* These reserve accounts comprise the consolidated other reserves of RMB1,156,797,000 (2019: RMB1,035,474,000) in the consolidated statement of financial position.

^ On 25 May 2020, 21,013,000 new shares of US\$0.0000002 (equivalent to approximately RMB\$0.0000014) each were issued and allotted at par value pursuant to the general mandate for the restricted share units scheme adopted by the Company on 29 August 2019. For details of the transaction, please refer to the announcements of the Company dated 25 March 2020, 24 April 2020 and 25 May 2020.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED 31 DECEMBER 2020**

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>83,455</b>	162,655
Adjustments for:			
Foreign exchange (gains)/losses, net	6	<b>(277)</b>	2,681
Finance costs	7	<b>10,172</b>	13,121
Bank interest income	5	<b>(2,128)</b>	(4,335)
Loss on disposal of items of property, plant and equipment	6	<b>–</b>	1
Loss on write-off of items of property, plant and equipment	6	<b>22</b>	–
Impairment of accounts receivable	6	<b>13,942</b>	5,960
Depreciation of property, plant and equipment		<b>423</b>	708
Depreciation of right-of-use assets		<b>3,757</b>	3,062
Amortisation of intangible assets		<b>10,692</b>	12,933
Derecognition of lease		<b>262</b>	–
Share of losses of associates		<b>1,490</b>	–
Share-based payment expenses		<b>20,224</b>	51,251
Listing expense	6	<b>–</b>	2,713
		<b>142,034</b>	250,750
Decrease/(increase) in accounts receivable		<b>12,377</b>	(159,556)
Increase in prepayments, deposits and other receivables		<b>(126,478)</b>	(112,260)
(Increase)/decrease in long-term prepayments		<b>(31,230)</b>	23,585
(Decrease)/increase in accounts payable		<b>(50,229)</b>	46,394
Decrease in contract liabilities		<b>(54,387)</b>	(47,412)
Increase in other payables and accruals		<b>4,293</b>	15,736
Cash generated (used in)/from operations		<b>(103,620)</b>	17,237
Interest received		<b>1,367</b>	1,397
Income tax paid		<b>(13,705)</b>	(11,630)
Net cash flows (used in)/from operating activities		<b>(115,958)</b>	7,004

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of items of property, plant and equipment	(490)	(518)
Capital injection in an associate	(4,392)	(874)
	<u>(4,882)</u>	<u>(1,392)</u>
Net cash flows used in investing activities	<u>(4,882)</u>	<u>(1,392)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of bank loans	301,506	301,400
Repayment of bank loans	(342,468)	(211,000)
Listing expenses paid	–	(36,265)
Proceeds from issuance of new ordinary shares	43,366	–
Principal portion of lease payments	(4,216)	(3,808)
Interest paid	(9,081)	(13,122)
Decrease/(increase) of restricted bank deposits	75,146	(85,198)
	<u>64,253</u>	<u>(47,993)</u>
Net cash flows from/(used in) financing activities	<u>64,253</u>	<u>(47,993)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(56,587)	(42,381)
Cash and cash equivalents at beginning of year	261,370	303,436
Net foreign exchange difference	(8,800)	315
	<u>195,983</u>	<u>261,370</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>195,983</u>	<u>261,370</u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	195,983	261,370
	<u>195,983</u>	<u>261,370</u>
Cash and cash equivalents as stated in the consolidated statement of financial position and statement of cash flows	<u>195,983</u>	<u>261,370</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE AND GROUP INFORMATION

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

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

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

### 2.1 BASIS OF PREPARATION

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

### 2.2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements:

Amendments to HKFRS 3	Definition of a business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKFRS16	COVID-19 Related Rent Concessions
Amendments to HKAS 1 and HKAS 8	Definition of material

Except as described below, the new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group’s accounting policies.

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

The Group has not applied the following new and amendments to HKFRSs, that have been issued but are not yet effective, in these financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28(2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Annual Improvements to HKFRSs 2018-2020 Cycle	Amendments to HKFRS 1, HKFRS 9 and HKAS 4 <sup>4</sup> and Illustrative Examples accompanying HKFRS 16 <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform- Phase 2 <sup>1</sup>
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contain a Repayment on Demand Clause <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> No mandatory effective date yet determined but available for adoption

<sup>5</sup> Effective for annual periods beginning on or after 1 June 2020

The Group is not yet in a position of state whether these new pronouncements will result is substantial to the Group's accounting policies and financial statements.

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

#### 4. OPERATING SEGMENT INFORMATION

The segment revenue for the years ended 31 December 2020 and 2019 is as follows:

	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Type of goods or services		
Mobile advertising services	<b>1,663,557</b>	2,276,362
Online-video distribution services	<b>55,409</b>	101,636
Game co-publishing services	<b>7,780</b>	18,189
	<u><b>1,726,746</b></u>	<u>2,396,187</u>
Total revenue form contracts with customers	<u><b>1,726,746</b></u>	<u>2,396,187</u>
Timing of revenue recognition		
Services transferred at a point in time	<b>17,929</b>	–
Services transferred over time	<b>1,708,817</b>	2,396,187
	<u><b>1,726,746</b></u>	<u>2,396,187</u>
Total revenue from contracts with customers	<u><b>1,726,746</b></u>	<u>2,396,187</u>

The segment results for the year ended 31 December 2020 are as follows:

	<b>Mobile advertising services RMB'000</b>	<b>Online-video distribution services RMB'000</b>	<b>Game co-publishing services RMB'000</b>	<b>Total RMB'000</b>
Segment revenue	1,663,557	55,409	7,780	1,726,746
Segment cost of sales	<u>(1,448,461)</u>	<u>(35,538)</u>	<u>–</u>	<u>(1,483,999)</u>
Segment result	<u><b>215,096</b></u>	<u><b>19,871</b></u>	<u><b>7,780</b></u>	<u><b>242,747</b></u>

The segment results for the year ended 31 December 2019 are as follows:

	<b>Mobile advertising services RMB'000</b>	<b>Online-video distribution services RMB'000</b>	<b>Game co-publishing services RMB'000</b>	<b>Total RMB'000</b>
Segment revenue	2,276,362	101,636	18,189	2,396,187
Segment cost of sales	<u>(1,988,221)</u>	<u>(59,104)</u>	<u>(10,647)</u>	<u>(2,057,972)</u>
Segment result	<u><b>288,141</b></u>	<u><b>42,532</b></u>	<u><b>7,542</b></u>	<u><b>338,215</b></u>

The Group had no major customers which contributed more than 10% of the total revenue for the years ended 31 December 2020 and 2019.

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

As at 31 December 2020 and 2019, substantially all of the non-current assets of the Group were located in Mainland China.

## 5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Other income and gains</b>		
Conference service income, net	3,529	436
Bank interest income	2,128	4,335
Government grants*	1,230	8,592
Foreign exchange gain, net	277	–
Additional deduction of input value-added tax	10,504	10,418
Others	455	727
	<u>18,123</u>	<u>24,508</u>

\* Government grants include subsidies from the local government for the investment award of approximately RMB774,506 for the year ended 31 December 2020 (2019: RMB3,425,758). The Group recognises the government grants when it fulfils all the conditions specified in the relevant law and regulations. There are no unfulfilled conditions or contingencies relating to these grants.

## 6. PROFIT BEFORE TAX

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

	<i>Note</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Cost of services, net of purchase rebate		<b>1,483,999</b>	2,057,972
Depreciation and amortisation		<b>14,872</b>	16,703
Auditor's remuneration		<b>2,000</b>	2,220
Lease payments not included in the measurement of lease liabilities		<b>1,402</b>	2,423
Listing expenses <sup>#</sup>		–	2,713
Employee benefit expenses (excluding directors' and chief executive's remuneration) <sup>^</sup> :			
Wages and salaries		<b>69,162</b>	67,016
Pension scheme contributions <sup>^^</sup>		<b>842</b>	8,019
Share-based payment expenses		<b>20,224</b>	51,210
		<b>90,228</b>	126,245
Impairment of accounts receivable <sup>*</sup>	<i>11</i>	<b>13,942</b>	5,960
Foreign exchange (gains)/losses, net <sup>*</sup>		<b>(277)</b>	2,681
Loss on disposal of items of property, plant and equipment		–	1
Loss on write-off of items of property, plant and equipment		<b>22</b>	–
Bank interest income		<b>(2,128)</b>	(4,335)
Derecognition of lease		<b>262</b>	–

\* Impairment of accounts receivable and foreign exchange losses are included in "Other expenses and losses" in the consolidated statement of profit or loss, foreign exchange gains are included in "Other income and gains" in the consolidated statement of profit or loss.

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

<sup>^^</sup> At 31 December 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes of future years (2019: Nil).

<sup>#</sup> It represents listing expenses that are charged to "Administrative expenses" in the consolidated statement of profit or loss.

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Interest on bank borrowings	<b>9,717</b>	12,798
Interest on lease liabilities	<b>455</b>	323
	<b>10,172</b>	13,121

## 8. INCOME TAX EXPENSE

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

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2020 and 2019. The income tax expenses of the Group for the years ended 31 December 2020 and 2019 represented current tax expenses related to the Group's operations in Mainland China and deferred tax.

The income tax provision of the Group in respect of its operations in Mainland China was calculated at the tax rate of 25% on the estimated assessable profits for the periods, if applicable, based on the existing legislation, interpretations and practice in respect thereof, for except five (2019: two) PRC subsidiaries, which are entitled to a preferential tax rate of 15% for three years as they are qualified as a "new high technology enterprise".

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current – Mainland China		
Charge for the year	18,975	53,241
Deferred	<u>(2,333)</u>	<u>3,680</u>
Total tax charge for the year	<u><u>16,642</u></u>	<u><u>56,921</u></u>

## 9. DIVIDENDS

No dividends have been paid or declared by the Company during the year ended 31 December 2020 (2019: Nil).

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,265,820,742 (2019: 1,210,716,350) in issue excluding the treasury shares during the year.

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

The calculations of basic and diluted earnings per share are based on:

	2020	2019
Profit for the year attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation (RMB'000)	66,813	105,734
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	1,265,820,742	1,210,716,350
Effect of dilution – weighted average number of ordinary shares: Restricted share units	<u>44,796,614</u>	<u>59,504,829</u>
	<u><u>1,310,617,356</u></u>	<u><u>1,270,221,179</u></u>

## 11. ACCOUNTS RECEIVABLE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Accounts receivable	591,202	603,579
Impairment	<u>(20,036)</u>	<u>(6,094)</u>
Total	<u><u>571,166</u></u>	<u><u>597,485</u></u>

The Group's trading terms with its customers are partially on credit. For some customers, payment in advance is normally required. For mobile advertising and game co-publishing business, the credit period generally ranges from three months (2019: one to three months) for major customers. For online-video distribution, the credit period generally ranges from three to twelve months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	342,078	495,766
3 to 12 months	130,642	73,573
1 to 2 years	98,446	27,816
Over 2 years	<u>–</u>	<u>330</u>
	<u><u>571,166</u></u>	<u><u>597,485</u></u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At beginning of year	6,094	134
Impairment losses, net ( <i>note 6</i> )	<u>13,942</u>	<u>5,960</u>
At end of year	<u><u>20,036</u></u>	<u><u>6,094</u></u>

## 12. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cash and bank balances	240,352	253,791
Short term time deposits	–	127,094
	<u>240,352</u>	<u>380,885</u>
Less: Restricted bank deposits:		
Pledged time deposits for bank loans ( <i>note 14</i> )	(44,369)	(118,595)
Bank deposits frozen for litigation	–	(920)
	<u>(44,369)</u>	<u>(119,515)</u>
Cash and cash equivalents	<u><u>195,983</u></u>	<u><u>261,370</u></u>
Denominated in:		
– RMB	151,188	234,438
– USD	35,891	26,910
– HKD	8,904	22
	<u><u>195,983</u></u>	<u><u>261,370</u></u>

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

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

## 13. ACCOUNTS PAYABLE

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year	17,387	84,924
1 to 2 years	26,663	9,972
More than 2 years	657	40
	<u><u>44,707</u></u>	<u><u>94,936</u></u>

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

#### 14. INTEREST-BEARING BANK BORROWINGS

Details of the Group's interest-bearing bank borrowings as at 31 December 2020 and 2019 are as follows:

As at 31 December 2020			
	Effective contractual interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured	3.500-4.350	2021	42,632
– unsecured	3.850-5.220	2021	152,364
			<u>194,996</u>
			<u><u>194,996</u></u>
As at 31 December 2019			
	Effective contractual interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured	3.830-4.900	2020	105,958
– unsecured	4.350-5.220	2020	130,000
			<u>235,958</u>
			<u><u>235,958</u></u>
		2020	2019
		RMB'000	RMB'000
Analysed into:			
Bank loans repayable:			
Within one year or on demand		<u>194,996</u>	<u>235,958</u>

*Notes:*

- (a) As at 31 December 2019, the Group's bank loans of
- (i) RMB105,958,000 was secured by pledged deposits of US\$16,999,973 (equivalent to approximately RMB118,595,000) provided by a subsidiary of the Company, Wanka Holdings Limited;
  - (ii) RMB30,000,000 was guaranteed by the Company and two subsidiaries of the Company, namely, Wanka Holdings Limited and Wanka Huanju Culture Media (Beijing) Co., Ltd.;
  - (iii) RMB45,000,000 was guaranteed by the Company, Mr. GAO Dinan ("**Mr. Gao**") and Mr. ZHENG Wei ("**Mr. Zheng**") (Mr. Gao is an executive director of the Company; Mr. Zheng has been re-designated from executive director to non-executive director of the Company with effect from 27 August 2020);
  - (iv) RMB15,000,000 was guaranteed by Mr. Gao and two subsidiaries of the Company, namely, Wanka Huanju Culture Media (Beijing) Co., Ltd. and Huanju Times Culture Media (Beijing) Co., Ltd.;
  - (v) RMB20,000,000 was guaranteed by an independent third party, Beijing Zhongguancun Sci-tech Financing Guaranty Co., Ltd., which was counter guaranteed by a subsidiary of the Company, Wanka Huanju Culture Media (Beijing) Co., Ltd.;
  - (vi) RMB5,000,000 was guaranteed by Mr. Gao and an independent third party, Beijing Zhongguancun Sci-tech Financing Guaranty Co., Ltd.;
  - (vii) RMB10,000,000 was guaranteed by an independent third party, Beijing Haidian Tech-Enterprise Financing Guarantee Co. Ltd., which was counter guaranteed by Mr. Gao and a subsidiary of the Company, Huanju Times Culture Media (Beijing) Co., Ltd.; and
  - (viii) RMB5,000,000 was guaranteed by Mr. Gao and an independent third party, Beijing Capital Financing Guarantee Co. Ltd.
- (b) As at 31 December 2020, the Group's bank loans of
- (i) RMB42,632,000 was secured by pledged deposits of US\$6,800,000 (equivalent to approximately RMB44,369,000) provided by a subsidiary of the Company, Wanka Holdings Limited;
  - (ii) RMB5,000,000 was guaranteed by Mr. Gao and a subsidiary of the Company, Huanju Times Culture Media (Beijing) Co., Ltd.;
  - (iii) RMB10,000,000 was guaranteed by an independent third party, Beijing Haidian Tech-Enterprise Financing Guarantee Co. Ltd., which was counter guaranteed by Mr. Gao and a subsidiary of the Company, Huanju Times Culture Media (Beijing) Co., Ltd.;
  - (iv) RMB5,000,000 was guaranteed by Mr. Gao and an independent third party, Beijing Capital Financing Guarantee Co. Ltd., which was counter guaranteed by Mr. Gao, his spouse and a subsidiary of the Company, Huanju Times Culture Media (Beijing) Co., Ltd.;
  - (v) RMB30,000,000 was guaranteed by Mr. Gao, his spouse and a subsidiary of the Company, Wanka Huanju Culture Media (Beijing) Co., Ltd.;
  - (vi) RMB10,000,000 was guaranteed by Mr. Gao and a subsidiary of the Company, Wanka Huanju Culture Media (Beijing) Co., Ltd.;
  - (vii) RMB15,000,000 was guaranteed by Mr. Gao;
  - (viii) RMB60,000,000 was guaranteed by Mr. Gao, Mr. Zheng and the Company;
  - (ix) RMB10,000,000 was guaranteed by Mr. Gao, a senior management member of the Company and their spouses; and
  - (x) RMB5,000,000 was guaranteed by Mr. Gao and an independent third party, Beijing Zhongguancun Sci-tech Financing Guaranty Co., Ltd., which was counter guaranteed by Mr. Gao, Mr. Zheng and a subsidiary of the Company, Huanju Times Culture Media (Beijing) Co., Ltd.

## **15. CONTINGENT LIABILITIES**

At the end of the reporting period, the Group did not have any significant contingent liabilities.

## **16. CAPITAL COMMITMENTS**

At the end of the reporting period, the Group did not have any significant capital commitments.

## **17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

## **18. EVENTS AFTER THE REPORTING PERIOD**

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

## BUSINESS REVIEW

Our principal activities are centered around the Android ecosystem, which was a top priority during the COVID-19 pandemic when we tried to manage our relationships with various players in the Android ecosystem. In 2020, we strengthened our relationship with Chinese mobile phone manufacturers and mobile distribution channel providers by actively deepening and diversifying our cooperation, which in turn provided them with quality mobile internet contents on a continuous basis. While deepening our existing partnerships, we also continued to explore new partnership opportunities by leveraging our excellent placement efficiency. In respect of industrial customers, we strengthened our risk control management in response to the pandemic impacts by adopting a much more prudent approach to screen potential quality customers, tracking the promotion scale and repayment conditions of small and medium-sized new customers, and maintaining ongoing communication with existing customers and enhancing risk control management over the business so as to ensure the safety and stability of our main business operation. Due to the pandemic impact, customers across a spectrum of industries generally reduced their marketing budgets, and the demand for mobile distribution slowed down, which has led to a year-on-year decrease in our mobile distribution. During 2020, revenue from our mobile advertising service amounted to RMB1,663.6 million, representing a decrease of 26.9%, while revenue from our online-video distribution services and game co-publishing services in 2020 amounted to RMB55.4 million and RMB7.8 million, respectively. In line with the stabilizing pandemic conditions and improving economic conditions in 2021, however, we expect the demand for mobile distribution and placement will grow, resulting in an upward trend of the mobile distribution industry.

The DAPG platform represents our key instrument to connect with a wide range of Android mobile internet participants with efficient placement services. Despite the challenging environment, we will be committed to our continued investments in the research and development on the DAPG platform for the purposes of continuous update at any moment, and as a result of which we expect to continue to develop new technologies, which will enable us to remain as the leader of the fast-moving mobile internet market and provide more accurate placement services. In light of the accumulated data and experience derived from the DAPG platform's outstanding placement efficiency, the DAPG platform has multi-dimensional scalability, providing customized distribution services to different presentation methods in more industry sectors. In 2020, we developed functional modules that support innovative forms of placements such as interactive videos and interactive games, and we will expand the DAPG platform to cover more areas based on partnership requirements and market opportunities.

We made strenuous efforts in the field of Quick Apps, which we believe will rise abruptly based on our accumulated experiences following the widely use of 5G technology. In 2020, Quick App has been launched in more than 170 countries and regions around the world, with more than 500 million monthly active users and more than 4 billion monthly users. We have provided various support and carried out layout around the Quick App ecosystem. In order to capitalize on the opportunities presented by the widely use of 5G technology, the DAPG platform has fully supported the access of Quick Apps, laying the foundation for the continuous exploration of new forms of delivery in the Quick App ecosystem and our cooperation with a wider range of Android-based ecosystem participants in the field of Quick Apps. Based on the Quick App technology, we promoted the cooperation in the area of Internet of Vehicles and launched the SaaS products in a timely manner, which provided a starting point for our strategic layout in the 5G era and allowed us to gain valuable experience. We believe that Quick App, as an excellent connection medium, can enable more traditional industries to become participants in the Android ecosystem.

Despite the impact of the pandemic and the international situation, we continued to explore and lay out our network in overseas markets. In 2020, we accumulated extensive experience in the distribution and operation of mobile games overseas through the distribution of our self-developed mobile games in Hong Kong, Macau, Taiwan and overseas countries. Our mobile games also gained positive response. In the future, with less uncertainties on and the gradual popularization of 5G technology, Chinese mobile phones and Quick Apps around the world, we will carry out more business cooperation overseas.

## BUSINESS OUTLOOK

Although the pandemic remains one of the factors of instability in 2021, we are confident that we will gradually get the business back on track in the coming year with the experience accumulated in 2020 and our robust business chain as a result of enhanced management as well as the recovery and continued growth of mobile distribution market. We will also continue to deepen our cooperative relationship with the upstream and downstream partners of the business chain. While ensuring the stable development of our existing business, we will endeavor to explore new businesses in synergy with our principal business, give full play to the scalability of the DAPG platform and expand more new markets with the potential of mobile Internet. Focusing on “connectivity”, in the field of Quick App, we will place emphasis on the traffic, development and user development. We will also continue to explore potential cooperation opportunities to make Quick App an important medium of artificial intelligence and Internet of Things in the 5G era.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenues

Our revenues from mobile advertising decreased by 26.9% from RMB2,276.4 million in 2019 to RMB1,663.6 million in 2020, due to the decrease in the number of mobile apps and mobile games we advertised during the COVID-19 pandemic.

In addition, we generated revenues from our online-video distribution services and game co-publishing services of RMB55.4 million (2019: RMB101.6 million) and RMB7.8 million (2019: RMB18.2 million) in 2020, respectively.

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

	Year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	<i>% of total revenues</i>	<i>RMB'000</i>	<i>% of total revenues</i>
<b>Revenues</b>				
Mobile advertising	1,663,557	96.3%	2,276,362	95.0%
Online-video distribution	55,409	3.2%	101,636	4.2%
Game co-publishing	7,780	0.5%	18,189	0.8%
<b>Total</b>	<b>1,726,746</b>	<b>100%</b>	<b>2,396,187</b>	<b>100%</b>

## ***Mobile Advertising Services***

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

	Year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	<i>% of total revenues</i>	<i>RMB'000</i>	<i>% of total revenues</i>
Mobile game distribution	<b>1,428,269</b>	<b>85.9%</b>	1,710,803	75.2%
Mobile app distribution	<b>235,288</b>	<b>14.1%</b>	565,559	24.8%
<b>Total</b>	<b><u>1,663,557</u></b>	<b><u>100%</u></b>	<b><u>2,276,362</u></b>	<b><u>100%</u></b>

Our mobile advertising revenue generated from distribution of mobile games decreased from RMB1,710.8 million in 2019 to RMB1,428.3 million in 2020, representing a decrease of RMB282.5 million, or 16.5% from 2019. The decrease is primarily due to the reduced advertisement spending of our mobile game advertisers during the COVID-19 pandemic. Our mobile advertising revenue from mobile app distribution decreased from RMB565.6 million in 2019 to RMB235.3 million in 2020, representing a decrease of RMB330.3 million, or 58.4% from 2019, primarily due to the decrease in the number of mobile apps we marketed during the COVID-19 pandemic.

## ***Online-video Distribution Services***

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

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

We generated a revenue of RMB55.4 million for this business line in 2020, representing a decrease of RMB46.2 million, or 45.5% from 2019. The videos we distributed are mainly in the areas of finance, entertainment and movies.

## ***Game Co-publishing Services***

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

Our revenues from game co-publishing services decreased by 57.1% from RMB18.2 million in 2019 to RMB7.8 million in 2020. As at 31 December 2020, we had co-published 26 mobile games in China.

## **Cost of Sales**

Our cost of sales is primarily comprised of distribution fees incurred for advertisement placements onto the distribution channels, labor costs and amortisation and other related costs associated with the cooperation agreements with certain smartphone manufacturers in relation to their distribution channels.

Cost of sales decreased by 27.9% from RMB2,058.0 million in 2019 to RMB1,484.0 million in 2020. This decrease was primarily driven by the decrease in distribution fees to our distribution channels from RMB2,026.9 million in 2019 to RMB1,471.0 million in 2020, which was in line with the decrease in our revenues during 2020.

## **Gross Profit and Margins**

As a result of the foregoing, our gross profit decreased by 28.2% from RMB338.2 million in 2019 to RMB242.7 million in 2020. The decline in gross profit was primarily due to the decrease in the transaction volume on our DAPG platform across all segments during the COVID-19 pandemic.

The gross profit margin maintained at 14.1% in 2019 and 2020.

## **Other Income and Gains**

Other income and gains decreased from RMB24.5 million in 2019 to RMB18.1 million in 2020, primarily due to the decrease in bank interest income and government grants received.

## **Selling and Distribution Expenses**

Selling and distribution expenses primarily consisted of sales employee salaries and related benefit expenses, traveling costs, conference costs and marketing expenses. Our selling and distribution expenses decreased by 47.8% from RMB31.6 million in 2019 to RMB16.5 million in 2020, mainly attributable to the decrease in marketing and advertising expenses as a result of our reduced spending in promotional campaigns.

## **Research and Development Cost**

Research and development cost primarily included fees paid to third party consulting service providers and employee salaries and related benefit expenses. Our research and development expenses increased by 61.9% from RMB45.4 million in 2019 to RMB73.5 million in 2020, primarily due to the increase in the number of our research and development staff and the development expenses of our systems.

## **Administrative Expenses**

Our administrative expenses decreased by 18.9% from RMB49.8 million in 2019 to RMB40.4 million in 2020, which was mainly attributable to the decrease in professional service expenses.

## **Other Expenses and Losses**

Other expenses and losses increased from RMB8.9 million in 2019 to RMB15.1 million in 2020, primarily due to the increase in impairment loss provided on our accounts receivable.

## **Share-Based Payment Expenses**

Our share-based payment expense decreased significantly from RMB51.3 million in 2019 to RMB20.2 million in 2020, because the share-based payment expenses in connection with the additional 21,013,000 restricted share units (“RSU(s)”) we granted to certain grantees during 2020 were recognised over the vesting period at a lower grant date fair value as compared to 2019.

## **Operating Profit**

As a result of the foregoing, our operating profit decreased by 45.9% from RMB175.8 million in 2019 to RMB95.1 million in 2020. Operating margin decreased from 7.3% in 2019 to 5.5% in 2020.

## **Finance Costs**

Our finance costs decreased from RMB13.1 million in 2019 to RMB10.2 million in 2020, primarily due to the lower effective interest rate charged in connection with our new bank borrowings.

## **Income Tax Expense**

Our income tax expense decreased from RMB56.9 million in 2019 to RMB16.6 million in 2020. The decrease was primarily attributable to the decrease in taxable profit of our subsidiaries in China.

## **Profit for the Year**

As a result of the reasons discussed above, profit for the year decreased from RMB105.7 million in 2019 to RMB66.8 million in 2020.

## Non-HKFRS Measures

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

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

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

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

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit for the year</b>	<b>66,813</b>	105,734
Add:		
Depreciation	<b>4,180</b>	3,770
Amortisation of intangible assets	<b>10,692</b>	12,933
Finance cost	<b>10,172</b>	13,121
Income tax expense	<b>16,642</b>	56,921
Share-based payment expenses	<b>20,224</b>	51,251
Listing expenses	<b>–</b>	2,713
<b>Adjusted EBITDA (unaudited)</b>	<b>128,723</b>	246,443

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Profit for the year</b>	<b>66,813</b>	105,734
Add:		
Share-based payment expenses	<b>20,224</b>	51,251
Listing expenses	–	2,713
<b>Adjusted Net Profit (unaudited)</b>	<b><u>87,037</u></b>	<b><u>159,698</u></b>

### **Selected Financial Information from Our Consolidated Statement of Financial Position**

	As at 31 December		
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	Change
Cash and bank balances	<b>240,352</b>	380,885	-36.9%
Bank borrowings	<b>194,996</b>	235,958	-17.4%
Current assets	<b>1,329,751</b>	1,369,365	-2.9%
Current liabilities	<b>411,382</b>	547,096	-24.8%
Net current assets	<b>918,369</b>	822,269	11.7%
Total equity	<b><u>1,156,798</u></b>	<b><u>1,035,475</u></b>	11.7%

#### ***Cash and Bank Balances***

As at 31 December 2020, we had cash and bank balances of RMB240.4 million, as compared with RMB380.9 million as at 31 December 2019. The decrease in cash and bank balances was mainly due to the repayment of borrowings due and the increase in purchase of prepaid data traffic for the Group's future development needs. Our cash and bank balances were denominated in RMB, Hong Kong dollars and US dollars.

#### ***Bank Borrowings***

Our bank borrowings as at 31 December 2019 amounted to RMB236.0 million, among which, (1) the bank borrowings of RMB106.0 million are secured by pledged deposits of US\$17.0 million provided by one of our subsidiaries, (2) the bank borrowings of RMB75.0 million are guaranteed by three of our subsidiaries, (3) the bank borrowings of RMB40.0 million are guaranteed by three independent third parties, (4) the bank borrowings of RMB75.0 million are guaranteed by our Company, and (5) the bank borrowings of RMB80.0 million are guaranteed by the Controlling Shareholders.

As at 31 December 2020, our bank borrowings decreased to RMB195.0 million, among which, (1) the bank borrowings of RMB42.6 million are secured by pledged deposits of US\$6.8 million provided by one of our subsidiaries, (2) the bank borrowings of RMB65.0 million are guaranteed by two of our subsidiaries, (3) the bank borrowings of RMB20.0 million are guaranteed by three independent third parties, (4) the bank borrowings of RMB60.0 million are guaranteed by our Company, (5) the bank borrowings of RMB10.0 million are guaranteed by a senior management member and his spouse, and (6) the bank borrowings of RMB150.0 million are guaranteed by the Controlling Shareholders. All the bank borrowings as at 31 December 2020 were denominated in RMB and will be mature within one year, with fixed interest rates ranging from 3.50% to 5.22% per annum. The decrease in bank borrowings was primarily due to the repayment of borrowings due.

### ***Net Current Assets***

Our net current assets were RMB918.4 million as at 31 December 2020, compared to RMB822.3 million as at 31 December 2019. Our current assets were RMB1,329.8 million as at 31 December 2020, compared to RMB1,369.4 million as at 31 December 2019, primarily due to the decrease in cash and bank balance, partly offset by the increase in prepayments, deposits and other receivables. Our current liabilities were RMB411.4 million as at 31 December 2020, compared to RMB547.1 million as at 31 December 2019, primarily due to the decrease in accounts payable, contract liabilities and interest-bearing bank borrowings.

### ***Total Equity***

As at 31 December 2020, our total equity was RMB1,156.8 million, compared to RMB1,035.5 million as at 31 December 2019, mainly due to the net profit occurred during 2020 and the issue of new Shares of the Company in January 2020.

### **Key Financial Ratios**

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
Current ratio (times) <sup>(1)</sup>	<b>3.2</b>	2.5
Gearing ratio (%) <sup>(2)</sup>	<b>26.4</b>	34.8
	<b>=====</b>	<b>=====</b>
	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
Adjusted net profit margin <sup>(3)</sup>	<b>5.0%</b>	6.7%
	<b>=====</b>	<b>=====</b>

#### *Notes:*

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

### ***Current Ratio***

Our current ratio increased from 2.5 as at 31 December 2019 to 3.2 as at 31 December 2020, primarily due to the decrease in accounts payable, contract liabilities and interest-bearing bank borrowings.

### ***Gearing Ratio***

Our gearing ratio decreased from 34.8% as at 31 December 2019 to 26.4% as at 31 December 2020, mainly due to the decrease of total liabilities.

### ***Adjusted Net Profit Margin***

Our adjusted net profit margin decreased from 6.7% in 2019 to 5.0% in 2020, primarily due to the decrease in operating profit.

### **Capital Expenditure and Investments**

Our capital expenditures mainly consist of additions to property, plant and equipment and intangible assets, excluding assets from the acquisition of a subsidiary. Our capital expenditures amounted to RMB490,000 and RMB459,000 in 2020 and 2019, respectively.

### **Funding and Treasury Policies**

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

### **Foreign Exchange Risk**

Our Group's subsidiaries primarily operate in the PRC and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollars and the Hong Kong dollars. Therefore, foreign exchange risk primarily arose from recognised assets and liabilities in our Group's PRC subsidiaries when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to, overseas business partners. We did not hedge against any fluctuation in foreign currency during the years ended 31 December 2020 and 2019.

### **Material Acquisitions and Disposals**

The Group did not have any material acquisitions and disposals of subsidiaries, associated companies and joint ventures in 2020.

### **Significant Investments**

The Group had no significant investments for the year ended 31 December 2020.

## **Contingent Liabilities**

As at 31 December 2020, we did not have any material contingent liabilities (2019: nil).

## **Dividend**

The Board did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil).

## **OTHER INFORMATION**

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

Save as disclosed elsewhere in this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

### **Subsequent Events**

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

### **Compliance with the Corporate Governance Code**

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

During the year ended 31 December 2020, the Company has complied with all applicable code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), except for the following deviation from code provisions A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. GAO Dinan is the Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in Mr. GAO has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of Chairman and Chief Executive Officer of the Company at a time when it is appropriate by taking into account the circumstances of our Group as a whole.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2020.

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

### **Compliance with the Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the year ended 31 December 2020.

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

### **Audit Committee and Review of Financial Statements**

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

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2020. The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and discussed matters in relation to, among others, risk management, internal control and financial reporting of the Group with senior management and the Company’s auditor. Based on this review and discussions with the management, the Audit Committee was satisfied that the Group’s consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the year ended 31 December 2020.

### **Scope of Work of the Auditor**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group’s auditors, BDO Limited (“**BDO HK**”), to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by BDO HK in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO HK on the preliminary announcement.

## Use of Proceeds

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

As at 31 December 2020, the Group had utilized the proceeds as set out in the table below:

	Net proceeds from the IPO		Utilization up to 31 December 2020		Utilization during the Reporting Period		Unutilized proceeds		Expected timeline for the use of unutilized Proceeds
	<i>HK\$' million</i>	<i>RMB million</i>	<i>HK\$' million</i>	<i>RMB million</i>	<i>HK\$' million</i>	<i>RMB million</i>	<i>HK\$' million</i>	<i>RMB million</i>	
Strengthening research and development capabilities	58.4	51.4	47.3	41.1	24.0	20.6	11.1	10.3	2021
Promoting the development standard of Quick Apps	58.4	51.4	38.4	33.4	9.2	7.7	20.0	18.0	2021-2023
Expanding service offerings and strengthening ecosystem	29.2	25.7	22.4	19.5	10.7	9.2	6.8	6.2	2021
Expanding monetization channels and strengthening sales and marketing capabilities	29.2	25.7	19.2	16.7	10.4	9.0	10.0	9.0	2021
Working capital and general corporate uses	19.5	17.0	19.5	17.0	3.9	3.3	0.0	0.0	2020
<b>Total</b>	<b>194.7</b>	<b>171.2</b>	<b>146.8</b>	<b>127.7</b>	<b>58.2</b>	<b>49.8</b>	<b>47.9</b>	<b>43.5</b>	

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

In January 2020, the Company issued and allotted to Xin Point Holdings Limited, a Cayman Island company listed on the Main Board of the Stock Exchange (stock code: 1571), 25,789,000 new Shares at a subscription price of HK\$1.90 per Share (the “**Subscription**”). The Company received the net proceeds from the Subscription of approximately HK\$48.9 million (equivalent to approximately RMB43.0 million) after deducting the expenses incurred in the Subscription.

As at 31 December 2020, the Group had utilized the proceeds for general corporate purposes and working capital use. A breakdown of the use of proceeds is set out in the table below:

	Net proceeds from the Subscription		Utilization up to 31 December 2020		Utilization during the Reporting Period		Unutilized proceeds		Expected timeline for the use of unutilized Proceeds
	<i>HK\$' million</i>	<i>RMB million</i>	<i>HK\$' million</i>	<i>RMB million</i>	<i>HK\$' million</i>	<i>RMB million</i>	<i>HK\$' million</i>	<i>RMB million</i>	
Repayment of bank borrowings	28.4	25.0	20.5	17.8	20.5	17.8	7.9	7.2	2021
Payment of staff and directors' remuneration	11.4	10.0	9.3	8.1	9.3	8.1	2.1	1.9	2021
Administration related expenses	9.1	8.0	5.2	4.5	5.2	4.5	3.9	3.5	2021
<b>Total</b>	<b>48.9</b>	<b>43.0</b>	<b>35.0</b>	<b>30.4</b>	<b>35.0</b>	<b>30.4</b>	<b>13.9</b>	<b>12.6</b>	

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

We completed the Placing in March 2020, and received the net proceeds from the Placing of approximately HK\$189.0 million (equivalent to approximately RMB157.8 million) after deducting the expenses incurred in the Placing. The Company has not utilized any of the proceeds as at the date of this announcement and will apply the net proceeds for the purposes as disclosed in the announcement of the Company dated 21 February 2021. The Company intends to fully utilize the net proceeds by 31 December 2023.

### Annual General Meeting (“AGM”)

The 2021 AGM will be held on 4 June 2021, Friday. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

### Closure of Register of Members

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 1 June 2021, Tuesday to 4 June 2021, Friday, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 31 May 2021, Monday.

## **Sufficiency of Public Float**

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

## **Publication of 2020 Annual Results and Annual Report of the Company**

This annual results announcement of the Company is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.wankaonline.com](http://www.wankaonline.com)). The Annual Report of the Company for the year ended 31 December 2020 will be dispatched to the shareholders of the Company and published on the aforesaid websites in due course.

## **APPRECIATION**

On behalf of the Board, I hereby express my sincere appreciation to the management team and employees of the Group for their work attitude and spirit of pursuing excellence and improvement to make contribution to the stable development of the Group despite the epidemic. The Board of Directors also greatly appreciates partners, Shareholders and stakeholders who have worked with us to make progress together. We will continue to enhance our professionalism and learning capabilities to provide better and more diversified services to the Android-based ecosystem participants.

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

Hong Kong, 26 March 2021

*As at the date of this announcement, the board of directors of the Company comprises Mr. GAO Dinan, Ms. ZHOU Yan and Mr. NIE Xin as executive Directors; Mr. ZHENG Wei and Mr. SONG Chunyu as non-executive Directors; and Mr. CHEN Baoguo, Mr. LIANG Zhanping and Ms. ZHAO Xuemei as independent non-executive Directors.*