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**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 2021**

**HIGHLIGHTS OF ANNUAL RESULTS**

	Year ended 31 December		Change
	2021	2020	
	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	<b>2,098,198</b>	1,726,746	21.5%
Gross Profit	<b>263,316</b>	242,747	8.5%
Operating Profit	<b>95,448</b>	95,117	0.3%
Profit for the Year Attributable to			
Owners of the Parent	<b>62,297</b>	66,813	-6.8%
Adjusted EBITDA <sup>(1)</sup>	<b>121,390</b>	128,723	-5.7%
Adjusted Net Profit <sup>(2)</sup>	<b>80,457</b>	87,037	-7.6%
	As at 31 December		
	2021	2020	Change
	<i>RMB'000</i>	<i>RMB'000</i>	
Total Assets	<b>1,845,363</b>	1,571,620	17.4%
Total Liabilities	<b>454,450</b>	414,822	9.6%
Total Equity	<b>1,390,913</b>	1,156,798	20.2%
Current Ratio <sup>(3)</sup>	<b>3.6</b>	3.2	

Notes:

- (1) Adjusted EBITDA eliminates the effect of depreciation, amortisation, finance costs, income tax and share-based payment expenses.
- (2) Adjusted net profit eliminates the effect of share-based payment 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 2021, together with the comparative figures for the year ended 31 December 2020 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**  
*FOR THE YEAR ENDED 31 DECEMBER 2021*

	<i>Notes</i>	<b>2021</b> <i>RMB’000</i>	2020 <i>RMB’000</i>
<b>REVENUE</b>	<i>4</i>	<b>2,098,198</b>	1,726,746
Cost of sales	<i>4</i>	<u>(1,834,882)</u>	<u>(1,483,999)</u>
Gross profit		<b>263,316</b>	242,747
Other income and gains	<i>5</i>	<b>17,138</b>	18,123
Selling and distribution expenses		<b>(15,001)</b>	(16,477)
Research and development costs		<b>(67,036)</b>	(73,543)
Administrative expenses		<b>(46,301)</b>	(40,401)
Other expenses and losses		<b>(38,508)</b>	(15,108)
Share-based payment expenses		<u>(18,160)</u>	<u>(20,224)</u>
Operating profits		<b>95,448</b>	95,117
Finance costs	<i>7</i>	<b>(7,549)</b>	(10,172)
Share of losses in associates		<u>(3,826)</u>	<u>(1,490)</u>
<b>PROFIT BEFORE TAX</b>	<i>6</i>	<b>84,073</b>	83,455
Income tax expenses	<i>8</i>	<u>(21,776)</u>	<u>(16,642)</u>
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<u><b>62,297</b></u>	<u>66,813</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)</b>			
Basic	<i>10</i>	<u><b>RMB0.04</b></u>	<u>RMB0.05</u>
Diluted		<u><b>RMB0.04</b></u>	<u>RMB0.05</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>PROFIT FOR THE YEAR</b>	<b><u>62,297</u></b>	<b><u>66,813</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>3,397</u>	<u>2,673</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>3,397</u>	<u>2,673</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	<u>(6,374)</u>	<u>(11,753)</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(6,374)</u>	<u>(11,753)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	<b><u>(2,977)</u></b>	<b><u>(9,080)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b><u>59,320</u></b>	<b><u>57,733</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2021*

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,592	1,001
Right-of-use assets		26,965	4,033
Goodwill		183,164	183,612
Other intangible assets		7,480	13,696
Investments in associates		2,022	3,775
Deferred tax assets		8,587	4,522
Prepayments		42,675	31,230
		<hr/>	<hr/>
Total non-current assets		272,485	241,869
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Accounts receivable	<i>11</i>	581,348	571,166
Prepayments, deposits and other receivables		546,647	518,233
Cash and cash equivalents	<i>12</i>	401,102	195,983
Restricted bank deposits	<i>12</i>	43,781	44,369
		<hr/>	<hr/>
Total current assets		1,572,878	1,329,751
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Accounts payable	<i>13</i>	74,330	44,707
Other payables and accruals		52,715	40,917
Contract liabilities		29,844	45,244
Interest-bearing bank borrowings	<i>14</i>	171,647	194,996
Lease liabilities		6,990	2,803
Income tax payable		99,102	82,715
		<hr/>	<hr/>
Total current liabilities		434,628	411,382
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		1,138,250	918,369
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,410,735	1,160,238
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		19,327	1,367
Deferred tax liabilities		495	2,073
		<hr/>	<hr/>
Total non-current liabilities		19,822	3,440
		<hr/>	<hr/>
Net assets		1,390,913	1,156,798
		<hr/> <hr/>	<hr/> <hr/>

	<b>2021</b> <b><i>RMB'000</i></b>	2020 <i>RMB'000</i>
<b>EQUITY</b>		
Equity attributable to owners of the parent		
Issued capital	<b>1</b>	1
Treasury shares	—*	—*
Other reserves	<b>1,390,912</b>	1,156,797
	<hr/>	<hr/>
Total equity	<b>1,390,913</b>	1,156,798
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\* The amount is less than RMB1,000.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Attributable to owners of the parent								
	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	– <sup>#</sup>	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	– <sup>#</sup>	–	43,366	–	–	–	–	–	43,366
Issue of shares for restricted share units <sup>^</sup>	– <sup>#</sup>	– <sup>#</sup>	–	–	–	–	–	–	–
Appropriation to statutory reserve funds	–	–	–	–	–	2,385	–	(2,385)	–
Vested restricted share units transferred to employee	– <sup>#</sup>	–	55,618	–	(55,618)	–	–	–	–
Equity-settled share option arrangements	–	–	–	–	20,224	–	–	–	20,224
At 31 December 2020	1	– <sup>#</sup>	1,642,834*	9,532*	54,641*	22,877*	(38,803)*	(534,284)*	1,156,798

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

<sup>^</sup> On 25 May 2020, 21,013,000 new shares of US\$0.0000002 (equivalent to approximately RMB0.0000014) 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.

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the parent									
	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 2021	1	- <sup>#</sup>	1,642,834*	9,532*	54,641*	22,877*	(38,803)*	(534,284)*	1,156,798	
Profit for the year	-	-	-	-	-	-	-	62,297	62,297	
Other comprehensive loss for the year:										
Exchange differences	-	-	-	-	-	-	(2,977)	-	(2,977)	
Total comprehensive income for the year	-	-	-	-	-	-	(2,977)	62,297	59,320	
Issue of shares <sup>^^</sup>	- <sup>#</sup>	-	156,635	-	-	-	-	-	156,635	
Issue of shares for restricted share units <sup>^^^</sup>	- <sup>#</sup>	- <sup>#</sup>	-	-	-	-	-	-	-	
Appropriation to statutory reserve funds	-	-	-	-	-	3,124	-	(3,124)	-	
Vested restricted share units	-	-	-	-	-	-	-	-	-	
transferred to employee	- <sup>#</sup>	-	10,482	-	(10,482)	-	-	-	-	
Equity-settled share option arrangements	-	-	-	-	18,160	-	-	-	18,160	
At 31 December 2021	1	- <sup>#</sup>	1,809,951*	9,532*	62,319*	26,001*	(41,780)*	(475,111)*	1,390,913	

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

<sup>\*</sup> These reserve accounts comprise the consolidated other reserves of RMB1,390,912,000 (2020: RMB1,156,797,000) in the consolidated statement of financial position.

<sup>^^</sup> 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 (equivalent to approximately RMB0.0000013) (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 related announcements of the Company dated 21 February 2021 and 1 March 2021.

<sup>^^^</sup> On 18 May 2021, 30,645,000 new shares of US\$0.0000002 (equivalent to approximately RMB0.0000014) 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 11 May 2021 and 18 May 2021.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>84,073</b>	83,455
Adjustments for:			
Foreign exchange gains, net	6	<b>(706)</b>	(277)
Finance costs	7	<b>7,549</b>	10,172
Bank interest income	5	<b>(951)</b>	(2,128)
Loss on disposal of property, plant and equipment	6	<b>4</b>	–
Loss on written off property, plant and equipment	6	<b>–</b>	22
Written off on accounts receivable	6	<b>19,118</b>	–
Impairment loss on accounts receivable	6	<b>18,283</b>	13,942
Depreciation of property, plant and equipment		<b>468</b>	423
Depreciation of right-of-use assets		<b>4,924</b>	3,757
Amortisation of intangible assets		<b>6,216</b>	10,692
(Gain)/loss on derecognition of lease		<b>(8)</b>	262
Share of losses in associates		<b>3,826</b>	1,490
Impairment loss on goodwill		<b>448</b>	–
Gain on disposal of an investment in an associate		<b>(2)</b>	–
Share-based payment expenses		<b>18,160</b>	20,224
		<b>161,402</b>	142,034
(Increase)/decrease in accounts receivable		<b>(47,583)</b>	12,377
Increase in prepayments, other receivables and other assets		<b>(28,848)</b>	(126,478)
Increase in long-term prepayments		<b>(11,445)</b>	(31,230)
Increase/(decrease) in accounts payable		<b>29,623</b>	(50,229)
Decrease in contract liabilities		<b>(15,400)</b>	(54,387)
Increase in other payables and accruals		<b>11,751</b>	4,293
Cash generated from/(used in) operations		<b>99,500</b>	(103,620)
Interest received		<b>1,385</b>	1,367
Income tax paid		<b>(11,032)</b>	(13,705)
Net cash flows from/(used in) in operating activities		<b>89,853</b>	(115,958)

	<b>2021</b> <b>RMB'000</b>	2020 <b>RMB'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of an investment in associate	<b>380</b>	–
Proceeds from disposal of property, plant and equipment	<b>9</b>	–
Purchase of items of property, plant and equipment	<b>(1,072)</b>	(490)
Capital injection in an associate	<b>(2,450)</b>	(4,392)
	<hr/>	<hr/>
Net cash flows used in investing activities	<b>(3,133)</b>	(4,882)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of bank loans	<b>249,647</b>	301,506
Repayment of bank loans	<b>(272,996)</b>	(342,468)
Issuance of ordinary shares	<b>156,635</b>	43,366
Principal portion of lease payments	<b>(6,241)</b>	(4,216)
Interest paid	<b>(6,962)</b>	(9,081)
Decrease of restricted bank deposits	<b>588</b>	75,146
	<hr/>	<hr/>
Net cash flows from financing activities	<b>120,671</b>	64,253
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	<b>207,391</b>	(56,587)
Cash and cash equivalents at beginning of year	<b>195,983</b>	261,370
Net foreign exchange difference	<b>(2,272)</b>	(8,800)
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>401,102</b>	195,983
	<hr/> <hr/>	<hr/> <hr/>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>401,102</b>	195,983
	<hr/>	<hr/>
Cash and cash equivalents as stated in the consolidated statement of financial position and statement of cash flows	<b>401,102</b>	195,983
	<hr/> <hr/>	<hr/> <hr/>

## **NOTES TO THE FINANCIAL STATEMENTS**

### *FOR THE YEAR ENDED 31 DECEMBER 2021*

#### **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 HKICPA has issued one new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following development is relevant to the Group's consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)
Amendments to HKAS 39 HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16,	Interest Rate Benchmark Reform – Phase 2

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

#### ***Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest rate benchmark reform – Phase 2***

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”). The amendments do not have an impact on these financial statements as the group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

#### ***Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021***

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months.

Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. The amendment did not have a significant impact on the financial position and performance of the Group.

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

The following new/revised HKFRSs, potentially relevant to the Group's consolidated 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 Contracts and the related Amendments <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs Standards	Annual Improvements to HKFRSs 2018-2020 <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

Further information about those HKFRSs that are expected to be relevant to the Group is as follows:

***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.

Except for the above, the directors expect that the adoption of the new/revised HKFRSs above will have no material impact on the consolidated financial statements in the year of initial application.

**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 2021 and 2020 is as follows:

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Type of goods or services:		
Mobile advertising services income	<b>2,005,125</b>	1,663,557
Online-video distribution services income	<b>85,102</b>	55,409
Game co-publishing services income	<b>7,971</b>	7,780
	<hr/>	<hr/>
Total revenue form contracts with customers	<b>2,098,198</b>	1,726,746
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition:		
Services transferred at a point in time	<b>85,102</b>	17,929
Services transferred over time	<b>2,013,096</b>	1,708,817
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>2,098,198</b>	1,726,746
	<hr/> <hr/>	<hr/> <hr/>

The segment results for the years ended 31 December 2021 and 2020 are as follows:

For the year ended 31 December 2021

	Mobile advertising services RMB'000	Online-video distribution services RMB'000	Game co-publishing services RMB'000	Total RMB'000
Segment revenue	<b>2,005,125</b>	<b>85,102</b>	<b>7,971</b>	<b>2,098,198</b>
Segment cost of sales	<b>(1,771,566)</b>	<b>(63,316)</b>	–	<b>(1,834,882)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Segment results	<b>233,559</b>	<b>21,786</b>	<b>7,971</b>	<b>263,316</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

For the year ended 31 December 2020

	Mobile advertising services RMB'000	Online-video distribution services RMB'000	Game co-publishing services RMB'000	Total RMB'000
Segment revenue	1,663,557	55,409	7,780	1,726,746
Segment cost of sales	<b>(1,448,461)</b>	<b>(35,538)</b>	–	<b>(1,483,999)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Segment results	<b>215,096</b>	<b>19,871</b>	<b>7,780</b>	<b>242,747</b>
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The Group had no major customers which contributed more than 10% of the total revenue for the years ended 31 December 2021 and 2020.

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 2021 and 2020, 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:

	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Other income from contract with customers, within the scope of HKFRS 15:		
Conference service income, net ( <i>note (a)</i> )	<u>3,147</u>	<u>3,529</u>
Bank interest income	<b>951</b>	2,128
Government grants ( <i>note (b)</i> )	<b>159</b>	1,230
Foreign exchange gains, net	<b>706</b>	277
Additional deduction of input value-added tax	<b>11,402</b>	10,504
Others	<u>773</u>	<u>455</u>
	<u><b>13,991</b></u>	<u>14,594</u>
	<u><b>17,138</b></u>	<u>18,123</u>

*Notes:*

- (a) All the conference service income of the Group is recognised at point in time as those services are provided under HKFRS 15.
- (b) 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. During the year ended 31 December 2020, the government grants include subsidies from the local government for the investment award of approximately RMB774,506.

## 6. PROFIT BEFORE TAX

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

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
Cost of services		<b>1,834,882</b>	1,483,999
Depreciation and amortisation		<b>11,608</b>	14,872
Auditor's remuneration		<b>2,100</b>	2,000
Lease payments not included in the measurement of lease liabilities		<b>292</b>	1,402
Employee benefit expenses (excluding directors' and chief executive's remuneration)^:			
Wages and salaries		<b>45,485</b>	69,162
Pension scheme contributions^^		<b>4,325</b>	842
Share-based payment expenses		<b>18,160</b>	20,224
		<b>67,970</b>	90,228
Impairment loss on goodwill		<b>448</b>	–
Impairment loss on accounts receivable*	<i>11</i>	<b>18,283</b>	13,942
Written off on accounts receivable*	<i>11</i>	<b>19,118</b>	–
Foreign exchange gains, net*		<b>(706)</b>	(277)
Loss on disposal of property, plant and equipment		<b>4</b>	–
Loss on written off property, plant and equipment		–	22
(Gain)/loss on derecognition of lease		<b>(8)</b>	262
Bank interest income		<b>(951)</b>	(2,128)

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

^ 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.

^^ At 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes of future years (2020: Nil).

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank borrowings	<b>7,008</b>	9,717
Interest on lease liabilities	<b>541</b>	455
	<b>7,549</b>	10,172

## 8. INCOME TAX EXPENSES

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 2021 and 2020. The income tax expenses of the Group for the years ended 31 December 2021 and 2020 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, except for four (2020: five) 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".

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Current – Mainland China		
Charge for the year	<b>27,419</b>	18,975
Deferred tax credit	<b>(5,643)</b>	(2,333)
Total tax charge for the year	<b>21,776</b>	16,642

## 9. DIVIDEND

No dividend have been paid or declared by the Company during the year ended 31 December 2021 (2020: 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 1,391,102,394 (2020: 1,265,820,742) 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:

	2021	2020
Profit for the year attributable to owners of the parent used in the basic and diluted earnings per share calculation (RMB'000)	62,297	66,813
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	1,391,102,394	1,265,820,742
Effect of dilution – weighted average number of ordinary shares:		
Restricted share units	<u>59,327,780</u>	<u>44,796,614</u>
	<u><b>1,450,430,174</b></u>	<u><b>1,310,617,356</b></u>

## 11. ACCOUNTS RECEIVABLE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Accounts receivable	619,667	591,202
Loss allowance	<u>(38,319)</u>	<u>(20,036)</u>
Total	<u><b>581,348</b></u>	<u><b>571,166</b></u>

The Group's trading terms with its customers are partially on credit, except for new customers, where payment in advance is normally required. For mobile advertising services, online video distribution services and game co-publishing services, the credit period generally ranges from three months for major customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances is reviewed regularly by the management. The Group does not hold any collateral or other credit enhancements over these 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	377,579	342,078
3 to 12 months	175,717	130,642
1 to 2 years	<u>28,052</u>	<u>98,446</u>
	<u><b>581,348</b></u>	<u><b>571,166</b></u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of year	20,036	6,094
Receivable written off during the year as uncollectible ( <i>note 6</i> )	(19,118)	–
Impairment losses ( <i>note 6</i> )	<u>37,401</u>	<u>13,942</u>
At end of year	<u><b>38,319</b></u>	<u><b>20,036</b></u>

## 12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cash and bank balances	444,883	240,352
Less: Restricted bank deposits:		
Pledged time deposits for bank loans ( <i>note 14</i> )	(42,096)	(44,369)
Bank deposits frozen for litigation	(1,685)	–
	<u>(43,781)</u>	<u>(44,369)</u>
Cash and cash equivalents	<u>401,102</u>	<u>195,983</u>
Denominated in:		
– RMB	347,897	151,188
– USD	27,331	35,891
– HKD	25,874	8,904
	<u>401,102</u>	<u>195,983</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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	45,579	17,387
1 to 2 years	2,348	26,663
More than 2 years	26,403	657
	<u>74,330</u>	<u>44,707</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 2021 and 2020 are as follows:

	As at 31 December 2021		
	Effective contractual interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured	3.050-4.350	2022	30,000
– unsecured	3.850-5.000	2022	141,647
			<u>171,647</u>
			<u><u>171,647</u></u>
	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>
		<b>2021</b>	<b>2020</b>
		<b>RMB'000</b>	<b>RMB'000</b>
Analysed into:			
Bank loans repayable:			
Within one year or on demand		<u>171,647</u>	<u>194,996</u>

#### Notes:

- (a) As at 31 December 2021, the Group's bank loans of
- (i) RMB30,000,000 was secured by pledged deposits of RMB30,000,000 and US\$1,897,000 (equivalent to approximately RMB12,096,000) provided by a subsidiary of the Company, Wanka Holdings Limited;
  - (ii) RMB5,000,000 was guaranteed by Mr. GAO Dinan (“**Mr. Gao**”) (Mr. Gao is an executive director of the Company), a subsidiary of the Company, Huanju Times Culture Media (Beijing) Co., Ltd. and an independent third party, Beijing Zhongguancun Sci-tech Financing Guaranty Co., Ltd., which was counter guaranteed by Mr. Gao and a subsidiary of the Company, Huanju Times Culture Media (Beijing) Co., Ltd.;
  - (iii) RMB39,000,000 was guaranteed by Mr. Gao and a subsidiary of the Company, Wanka Huanju Culture Media (Beijing) Co., Ltd.;
  - (iv) RMB90,000,000 was guaranteed by Mr. Gao and the Company; and
  - (v) RMB5,000,000 was guaranteed by Mr. Gao, and a subsidiary of the Company, Huanju Times Culture Media (Beijing) 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 Wei (“**Mr. Zheng**”) (Mr. Zheng is a non-executive director of the Company) 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 (2020: Nil).

## **16. CAPITAL COMMITMENTS**

At the end of the reporting period, the Group did not have any significant capital commitments (2020: Nil).

## **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.

## BUSINESS REVIEW

In 2021, we recorded a strong performance in terms of channel expansion and placement model innovation. During the year, we not only achieved outstanding placement results in our business partnership with the MHA members, but also performed well in the cooperation with short-form video creators, video self-media creators, key opinion leaders and key opinion consumers. We continued to promote the development of various industries by exploring and deepening our efforts in various sectors. Our revenues from mobile advertising amounted to RMB2,005.1 million in 2021, representing a year-on-year increase of 20.5%. In 2021, our revenues from online-video distribution and game co-publishing amounted to RMB85.1 million and RMB8.0 million, respectively.

Our steady growth was also attributed to our advanced placement technology, and we continued to make investments in the research and development for the purposes of continuous update, to ensure that we can provide accurate distribution services in various industry sectors. In 2021, we optimized and upgraded our mobile application placement for various industries, while providing full support for various placement model innovation. We have enhanced our video business partnerships by targeting the popular short-form video industry. At the same time, we provided our customers with a wide range of convenient services, including investment in creative materials and other comprehensive support to meet the placement requirements of various industries.

We have made great progress in the deployment of the Quick App ecosystem. At present, there are more than 1.2 billion devices equipped with Quick App technology, covering 170 countries and regions around the world, with monthly active devices of over 500 million units. We also vigorously promoted the development of the Internet of Vehicles business based on the Quick App, and established a car-terminal working group under the Quick App Alliance (快應用聯盟車機工作小組) in April 2021, which currently comprises 8 car-terminal manufacturers and more than 50 beta developers and has launched 4 vehicle models. Based on the Quick App technology, we have launched a customized smart vehicle product, namely Q-CAR, a cross-OS, cloud lightweight vehicle application development framework. During the year, Leapmotor has entered into a technical cooperation with the joint venture established by us and Xin Point Holdings, to firstly apply Q-CAR to Leapmotor vehicles by providing technical support and solutions. In the future, Q-CAR will provide comprehensive and customized solutions for more new energy smart vehicles to create a smarter and safer driving experience.

We have always been committed to actively promoting the standardization of the Android-based ecosystem. In order to promote the development of intelligent terminal software industry and improve the quality of mobile application software, the Intelligent Terminal Golden Seal Alliance (the “ITGSA”), which is managed and operated by us, was officially established. The members of the board of the ITGSA include six domestic intelligent terminal manufacturers, being Alibaba Group, Baidu, Tencent, OPPO, Vivo and Xiaomi. Under the guideline of China’s industrial policy, the ITGSA is market-driven, and mainly engaged in providing services for developers, with an aim to build an intelligent terminal software ecosystem platform and technical standards. The ITGSA provides gold standard certification service for high-quality mobile application products, aiming to select industry-leading mobile applications in terms of stability, compatibility, performance, power consumption, security, privacy, etc., to comprehensively improve the service quality standards of the industry and significantly increase the trust and recognition of Android-based ecosystem users.

## BUSINESS OUTLOOK

Although the Omicron variant of COVID-19 and the turbulent international situation have brought more challenges to the global economic development, we believe that we can continue to maintain a stable development in the future with valuable experiences we accumulated and learned during the pandemic, coupled with our efforts in channel expansion, content ecosystem development and placement models innovation. In 2022, we will continue to maintain and expand our channels, customer base and markets, improve our own ecosystem from different aspects, and continue to develop our content ecosystem in a longitudinal direction. To this end, we will continue to invest in research and development to maintain our advancement and high adaptability in the industry. As for the Quick App, we will work with members of car-terminal working group to provide more diversified and customized internet services for smart vehicle based on the experience of cooperation in the Internet of Vehicles, so as to lay a solid foundation for the deployment of the Internet of Things. As the government attaches more and more importance to the standardization and regularization of the Internet industry, we will promote the standardization of the industry under the help of three alliances while continuing to maintain close contact and communication with the government and relevant regulatory departments to support government decisions.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenues

Our revenues from mobile advertising increased by 20.5% from RMB1,663.6 million in 2020 to RMB2,005.1 million in 2021, due to the increase in the number of mobile games we advertised during 2021.

In addition, we generated revenues from our online-video distribution services and game co-publishing services of RMB85.1 million (2020: RMB55.4 million) and RMB8.0 million (2020: RMB7.8 million) in 2021, respectively.

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

	Year ended 31 December			
	2021		2020	
	<i>RMB'000</i>	<i>% of total revenues</i>	<i>RMB'000</i>	<i>% of total revenues</i>
<b>Revenues</b>				
Mobile advertising	<b>2,005,125</b>	<b>95.6%</b>	1,663,557	96.3%
Online-video distribution	<b>85,102</b>	<b>4.1%</b>	55,409	3.2%
Game co-publishing	<b>7,971</b>	<b>0.3%</b>	7,780	0.5%
<b>Total</b>	<b>2,098,198</b>	<b>100%</b>	<b>1,726,746</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 which consist of seven 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:

	<b>Year ended 31 December</b>			
	<b>2021</b>		<b>2020</b>	
	<b><i>RMB'000</i></b>	<b><i>% of total revenues</i></b>	<b><i>RMB'000</i></b>	<b><i>% of total revenues</i></b>
Mobile game distribution	<b>1,938,115</b>	<b>96.7%</b>	1,428,269	85.9%
Mobile app distribution	<b>67,010</b>	<b>3.3%</b>	235,288	14.1%
<b>Total</b>	<b><u>2,005,125</u></b>	<b><u>100%</u></b>	<b><u>1,663,557</u></b>	<b><u>100%</u></b>

Our mobile advertising revenue generated from distribution of mobile games increased from RMB1,428.3 million in 2020 to RMB1,938.1 million in 2021, representing an increase of RMB509.8 million, or 35.7% from 2020. The revenues increased primarily because we expanded the number of mobile games we marketed and obtained new mobile game distribution channels from smartphone manufacturers, especially from the MHA members. Our mobile advertising revenue from mobile app distribution decreased from RMB235.3 million in 2020 to RMB67.0 million in 2021, representing a decrease of RMB168.3 million, or 71.5% from 2020, primarily due to the decrease in the number of mobile apps we marketed during 2021.

## ***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 RMB85.1 million for this business line in 2021, representing an increase of RMB29.7 million, or 53.6% from 2020. 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 slightly increased by 2.6% from RMB7.8 million in 2020 to RMB8.0 million in 2021. As at 31 December 2021, we had co-published 37 mobile games in China.

### **Cost of Sales**

Our cost of sales primarily consisted of distribution fees incurred for advertisement placements onto the distribution channels, labor costs and amortisation expenses.

Cost of sales increased by 23.6% from RMB1,484.0 million in 2020 to RMB1,834.9 million in 2021. This increase was primarily driven by the increase in distribution fees to our distribution channels from RMB1,476.6 million in 2020 to RMB1,830.7 million in 2021, which was in line with the increase in our revenues during 2021.

### **Gross Profit and Margins**

As a result of the foregoing, our gross profit increased by 8.5% from RMB242.7 million in 2020 to RMB263.3 million in 2021. The increase in gross profit was primarily due to the increase in the transaction volume of our mobile advertising business on our platform during 2021.

The decrease in gross profit margin from 14.1% in 2020 to 12.5% in 2021 was primarily due to the increase in cost of traffic acquisition as a result of a more expensive traffic price in our industry, partly offset by the decrease of other related costs associated with the cooperation agreements with certain smartphone manufacturers in relation to their distribution channels.

### **Other Income and Gains**

Other income and gains decreased from RMB18.1 million in 2020 to RMB17.1 million in 2021, 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 9.1% from RMB16.5 million in 2020 to RMB15.0 million in 2021, which was 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 consisted of fees paid to third party consulting service providers and employee salaries and related benefit expenses. Our research and development expenses decreased by 8.8% from RMB73.5 million in 2020 to RMB67.0 million in 2021, primarily due to the decrease of the research expenses of our systems.

## **Administrative Expenses**

Our administrative expenses increased by 14.6% from RMB40.4 million in 2020 to RMB46.3 million in 2021, which was mainly attributable to the increase in professional service expenses and staff costs and related expenses.

## **Other Expenses and Losses**

Other expenses and losses increased from RMB15.1 million in 2020 to RMB38.5 million in 2021, primarily due to the increase in impairment loss provided on our accounts receivable.

## **Share-Based Payment Expenses**

Our share-based payment expense decreased from RMB20.2 million in 2020 to RMB18.2 million in 2021, because the share-based payment expenses in connection with the restricted share units (“RSU(s)”) we granted to certain grantees were recognised over the vesting period at a lower weighted-average grant date fair value as compared to 2020.

## **Operating Profit**

As a result of the foregoing, our operating profit slightly increased by 0.3% from RMB95.1 million in 2020 to RMB95.4 million in 2021. Operating margin decreased from 5.5% in 2020 to 4.5% in 2021.

## **Finance Costs**

Our finance costs decreased from RMB10.2 million in 2020 to RMB7.5 million in 2021, primarily due to the decrease of our bank borrowings.

## **Income Tax Expense**

Our income tax expense increased from RMB16.6 million in 2020 to RMB21.8 million in 2021. The increase was primarily attributable to the increase 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 RMB66.8 million in 2020 to RMB62.3 million in 2021.

## 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 and share-based payment expenses (“**Adjusted EBITDA**”). We define adjusted net profit as profit for the year without considering share-based payment 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.

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the year</b>	<b>62,297</b>	66,813
Add:		
Depreciation	<b>5,392</b>	4,180
Amortisation of intangible assets	<b>6,216</b>	10,692
Finance cost	<b>7,549</b>	10,172
Income tax expense	<b>21,776</b>	16,642
Share-based payment expenses	<b>18,160</b>	20,224
	<hr/>	<hr/>
<b>Adjusted EBITDA (unaudited)</b>	<b>121,390</b>	128,723
	<hr/> <hr/>	<hr/> <hr/>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Profit for the year</b>		
Add:	<b>62,297</b>	66,813
Share-based payment expenses	<b>18,160</b>	20,224
<b>Adjusted Net Profit (unaudited)</b>	<b>80,457</b>	87,037

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

	As at 31 December		Change
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	
Cash and bank balances	<b>444,883</b>	240,352	85.1%
Bank borrowings	<b>171,647</b>	194,996	-12.0%
Current assets	<b>1,572,878</b>	1,329,751	18.3%
Current liabilities	<b>434,628</b>	411,382	5.7%
Net current assets	<b>1,138,250</b>	918,369	23.9%
Total equity	<b>1,390,913</b>	1,156,798	20.2%

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

As at 31 December 2021, we had cash and bank balances of RMB444.9 million, as compared with RMB240.4 million as at 31 December 2020. The increase in cash and bank balances was mainly due to 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 in March 2021, partially offset by the repayment of borrowings due. Our cash and bank balances were denominated in RMB, Hong Kong dollars and US dollars.

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

Our bank borrowings as at 31 December 2020 amounted 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.

As at 31 December 2021, our bank borrowings decreased to RMB171.6 million, among which, (1) the bank borrowings of RMB30.0 million are secured by pledged deposits of RMB30.0 million and US\$1.9 million provided by one of our subsidiaries, (2) the bank borrowings of RMB49.0 million are guaranteed by two of our subsidiaries, (3) the bank borrowings of RMB5.0 million are guaranteed by an independent third party, (4) the bank borrowings of RMB90.0 million are guaranteed by our Company and (5) the bank borrowings of RMB139.0 million are guaranteed by the Controlling Shareholders. All the bank borrowings as at 31 December 2021 were denominated in RMB and will be mature within one year, with fixed interest rates ranging from 3.05% to 5.00% per annum. The decrease in bank borrowings was primarily due to the repayment of borrowings due.

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

Our net current assets were RMB1,138.3 million as at 31 December 2021, compared to RMB918.4 million as at 31 December 2020. Our current assets were RMB1,572.9 million as at 31 December 2021, compared to RMB1,329.8 million as at 31 December 2020, primarily due to the increase in cash and bank balance. Our prepayments, deposits and other receivables were RMB546.6 million as at 31 December 2021, compared to RMB518.2 million as at 31 December 2020, which was mainly attributable to the increase in purchase of prepaid data traffic for the Group's business development needs. Our current liabilities were RMB434.6 million as at 31 December 2021, compared to RMB411.4 million as at 31 December 2020, primarily due to the increase in accounts payable and other payables and accruals, partly offset by the decrease in contract liabilities and interest-bearing bank borrowings.

### ***Total Equity***

As at 31 December 2021, our total equity was RMB1,390.9 million, compared to RMB1,156.8 million as at 31 December 2020, mainly due to the net profit occurred during 2021 and the Placing of new Shares of the Company in March 2021.

### **Key Financial Ratios**

	<b>As at 31 December</b>	
	<b>2021</b>	2020
Current ratio (times) <sup>(1)</sup>	<b>3.6</b>	3.2
Gearing ratio (%) <sup>(2)</sup>	<b>24.6</b>	26.4
	<b>=====</b>	<b>=====</b>
	<b>Year ended 31 December</b>	
	<b>2021</b>	2020
Adjusted net profit margin <sup>(3)</sup>	<b>3.8%</b>	5.0%
	<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 3.2 as at 31 December 2020 to 3.6 as at 31 December 2021, primarily due to the increase in cash and bank balance and the decrease in contract liabilities and interest-bearing bank borrowings.

### ***Gearing Ratio***

Our gearing ratio decreased from 26.4% as at 31 December 2020 to 24.6% as at 31 December 2021, mainly due to the increase of total assets.

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

Our adjusted net profit margin decreased from 5.0% in 2020 to 3.8% in 2021, primarily due to the increase in overall operating expenses..

### **Capital Expenditure and Investments**

Our capital expenditures mainly consist of additions to property, plant and equipment and intangible assets. Our capital expenditures amounted to RMB1,072,000 and RMB490,000 in 2021 and 2020, 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 2021 and 2020.

### **Material Acquisitions and Disposals**

The Group did not have any material acquisitions and disposals of subsidiaries, associated companies and joint ventures in 2021.

### **Significant Investments**

The Group had no significant investments for the year ended 31 December 2021.

### **Contingent Liabilities**

As at 31 December 2021, we did not have any material contingent liabilities (2020: nil).

## **Dividend**

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil).

## **OTHER INFORMATION**

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

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 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 2021, 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 (which has been renumbered as code provision C.2.1 with effect from January 1, 2022) of the CG Code.

Code provision A.2.1 (which has been renumbered as code provision C.2.1 with effect from January 1, 2022) 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 2021.

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 2021.

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, Mr. JIN Yongsheng and Ms. ZHAO Xuemei, 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 2021. 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 2021.

## **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 2021 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 2021, the Group had utilized the proceeds as set out in the table below:

	Net proceeds from the IPO		Utilization up to 31 December 2021		Utilization during the Reporting Period		Unutilized proceeds		Expected timeline for the use of unutilized Proceeds
	<i>HK\$'</i>	<i>RMB</i>	<i>HK\$'</i>	<i>RMB</i>	<i>HK\$'</i>	<i>RMB</i>	<i>HK\$'</i>	<i>RMB</i>	
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	
Strengthening research and development capabilities	58.4	51.4	58.4	51.4	11.1	10.3	-	-	-
Promoting the development standard of Quick Apps	58.4	51.4	48.1	42.3	9.7	8.9	10.3	9.1	2023
Expanding service offerings and strengthening ecosystem	29.2	25.7	29.2	25.7	6.8	6.2	-	-	-
Expanding monetization channels and strengthening sales and marketing capabilities	29.2	25.7	29.2	25.7	10.0	9.0	-	-	-
Working capital and general corporate uses	19.5	17.0	19.5	17.0	-	-	-	-	-
<b>Total</b>	<b>194.7</b>	<b>171.2</b>	<b>184.4</b>	<b>162.1</b>	<b>37.6</b>	<b>34.4</b>	<b>10.3</b>	<b>9.1</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.

To raise additional capital for the business operations of the Group, 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 2021, 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 2021		Utilization during the Reporting Period		Unutilized proceeds	
	<i>HK\$'</i>	<i>RMB</i>	<i>HK\$'</i>	<i>RMB</i>	<i>HK\$'</i>	<i>RMB</i>	<i>HK\$'</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Repayment of bank borrowings	28.4	25.0	28.4	25.0	7.9	7.2	-	-
Payment of staff and directors' remuneration	11.4	10.0	11.4	10.0	2.1	1.9	-	-
Administration related expenses	9.1	8.0	9.1	8.0	3.9	3.5	-	-
<b>Total</b>	<b>48.9</b>	<b>43.0</b>	<b>48.9</b>	<b>43.0</b>	<b>13.9</b>	<b>12.6</b>	<b>-</b>	<b>-</b>

To strengthen the financial position of the Group and provide working capital to the Group, the Company completed the Placing of 135,000,000 new Shares at the placing price of HK\$1.45 per Share in March 2021, 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 connection with the Placing.

As at 31 December 2021, the Group had utilized the proceeds as set out in the table below:

	Net proceeds from the Placing		Utilization up to 31 December 2021		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>	
Further develop the Group's existing business lines	113.4	94.7	25.9	21.6	25.9	21.6	87.5	73.1	2023
Enhance the Group's digital infrastructure and for research and development of new internet and technological solutions	56.7	47.3	12.8	10.7	12.8	10.7	43.9	36.6	2023
General working capital uses	18.9	15.8	7.5	6.3	7.5	6.3	11.4	9.5	2023
<b>Total</b>	<b>189.0</b>	<b>157.8</b>	<b>46.2</b>	<b>38.6</b>	<b>46.2</b>	<b>38.6</b>	<b>142.8</b>	<b>119.2</b>	

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

### Annual General Meeting (“AGM”)

The 2021 AGM will be held on 2 June 2022, Thursday. 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 30 May 2022, Monday to 2 June 2022, Thursday, 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 27 May 2022, Friday.

## **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.

## **Subsequent Events**

There were no significant events that might affect the Group subsequent to the year ended December 31, 2021.

## **Publication of 2021 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 2021 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 outstanding contributions and unremitting commitments. The Board also greatly appreciates partners, Shareholders and stakeholders who place trust in and render support to us as they work side by side with us. We will continue to be committed to providing better and more diversified services to the Android-based ecosystem participants and the smart Internet-of-Things participants to promote the improvement of Android-based ecosystem standards.

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

Hong Kong, 25 March 2022

*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. JIN Yongsheng and Ms. ZHAO Xuemei as independent non-executive Directors.*