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CRAZY SPORTS GROUP LIMITED

瘋狂體育集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 82)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board of Crazy Sports Group Limited is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2023. These interim results have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” and reviewed by the Audit Committee.

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

2023 INTERIM BUSINESS REVIEW AND OUTLOOK

In the first half of 2023, the global economy continued to struggle with recovery, and the domestic economy showed a slow upward trend and faced many pressures and challenges. Under this environment, we were committed to maintain product competitiveness and user retention. As of the end of June 2023, the Group’s revenue dropped by only 4.7% to HK\$272.9 million compared to the corresponding period of 2022, and the total number of platform users grew by 37.3% year-on-year to approximately 79.5 million. The average monthly active users in the platform reached 3.2 million during the Period, representing an increase of 18.8% compared to the corresponding period of 2022. Due to the decrease in other gains from disposal of a subsidiary and dividend income of 95.5% or approximately HK\$60.1 million as compared with the corresponding period of 2022, the Group recorded a loss of HK\$9.5 million during the Period (1H2022: profit of HK\$49.2 million). The Group maintained the growth momentum of our core businesses in the digital sports entertainment industry, while limiting the loss from economic uncertainty.

- During the Period, the Group strengthened its technological R&D, and combined with advanced technologies such as web 3.0, blockchain and AIGC, to enhance its product innovation capability and improve the standard of user services, which further consolidates our leading position in the digital sports sector. Especially in the paid sports information, Crazy Red Insights APP improved the user experience, user interaction and communication through the introduction of advanced data analysis and AI technology. The monthly retention rate of new users of Crazy Red Insights increased by 37.5% and the retention rate of core users in the first half of the year reached 53.6%. Benefited from the increase in user satisfaction and retention, in the first half of 2023, the paid sports information business continued to grow with revenue increased by 18.6% to HK\$114.7 million year-on-year.
- In the first half of 2023, the Group capitalised on the market boom in the post-pandemic period and the post-World Cup effect. We stepped up brand and product promotions, deepened the field of sports lottery, increased sales to potential users, and added more youth-oriented, interactive marketing methods to gain more users. According to the data released by the Ministry of Finance, the total sales of national lottery tickets bucked the trend in the first half of 2023 and reached RMB273.9 billion, an increase of 50.4% compared with the corresponding period of 2022. The sales of sports lottery tickets reached RMB184.1 billion, an increase of 71.7% compared with the corresponding period of 2022. With the post-pandemic “lipstick effect” and the post-World Cup effect, the sales potential of sports lotteries has been further stimulated and the market sees an influx of new lottery buyers. In order to expand our user base in response to the craze, we added the MCN team to conduct live broadcast and short video marketing through short video platforms such as Douyin, Kuaishou and WeChat Channel to further broaden the customer acquisition pipeline of Crazy Red Insights. There were approximately 15.35 million views and 3.61 million live-streaming viewers on the Kuaishou platform during the first half of the year. With the gradual increase in domestic consumption, the development of the domestic sports industry and events, and the diversification of lottery sales channels, the Group’s investment at this stage will prepare well for its long-term development.

- Crazy Sports has made new developments in various aspects such as upgrading sports games, sports game IPs, internationalisation of sports games, and the publishing of new categories of games, etc. Sports games such as “Ace Soccer” (球場風雲), “Dream Soccer” (夢想足球), and “Soccer Manager” (夢幻足球世界) have led the development of long life cycle sports games through the comprehensive upgrade and launch of the new versions. In March 2023, Crazy Sports officially obtained the official game IP license of LaLiga, and becoming a game publisher with three major sports game IPs, namely FIFPro, LaLiga and CSL, laying a solid foundation for the release of phenomenal sports games in the future. In July 2023, Crazy Sports officially obtained the global IP license of FIFPro for the next three years, and will launch its international distribution strategy in the second half of 2023. Besides, the Group’s games co-publishing business continued to maintain stable growth in the first half of 2023.
- The Group has capitalised on China’s trillion-dollar digital sports entertainment market and continued to improve the Group’s online and offline sports lottery community ecosystem. The progress of sports events has been in full swing as the pandemic has recovered in China, during which the Group has achieved a breakthrough in the digital empowerment of sports events. In 2023, we have partnered with a number of sports events, where fans can participate in interactive entertainment activities such as game watching, interaction, live streaming to earn rewards and having fun quizzes through Fantasy Sports Events APP. The sports events consist of the opening match of the IPBU International Professional Boxing Series, the 2023 CBSA Chinese Pool International Professional League – International Elite, and the “JiuJiu Cup (九九杯)” Hainan (Wenchang) Township Volleyball League, various content effectively enhanced the enjoyment and entertainment of events and promoted the digital transformation of sports events.
- In 2023, a number of policies favorable to the sports industry were released one after another. These include the promotion of sports and leisure, culture and tourism and other services proposed in the deployment of economic work in the second half of the year by Political Bureau of the Central Committee meeting in 2023. The State General Administration of Sports issued 16 measures to restore and expand sports consumption during the same period, including the need to enrich the supply of sports lotteries. The development of Crazy Sports is in line with the direction and pace of the national policy guidelines. At present, the precise planning has already been realised in advance, which further strengthens the Group’s determination to invest in the sports field for the new market space.

CORE BUSINESS REVIEW

Paid Sports Information Platform — Crazy Red Insights APP

Steady revenue growth and improved service quality, resulting in longer life cycle of the World Cup users

Compared with the corresponding period of 2022, the revenue of paid sports information platform in the first half of 2023 increased by 18.6% to HK\$114.7 million. During the Qatar World Cup, the Group has observed a significant increase in user registrations. Subsequent to the event, the Group has formulated effective operational strategies to enhance user stickiness and retain World Cup users while increasing marketing efforts. In the first half of 2023, our performance have experienced a steady growth, largely attributable to the strategies of improving user satisfaction, upgrading product functions, reinforcing partner matrix, and strengthen promotion. Below are the key strategies we have adopted in the business areas:

— *Continuous optimisation and upgrade of products to enhance user satisfaction*

In the first half of the year, Crazy Red Insights APP has completed two versions of major upgrades, which are mainly reflected in the optimisation of product functions, enrichment of gameplay, and addition of basic service content. Meanwhile, the quality of member services has been further improved, bringing users a new and unique experience. Crazy Red Insights has expanded its experts lineup. The number of active experts increased by 33.6% compared with the corresponding period of 2022, and the total number of plans produced increased by 7.0% as compared with the corresponding period of 2022. The data model has undergone an algorithm upgrade based on the increase in coverage of sports events, and the overall hit rate increased by 9.9% compared with the second half of 2022.

To cater to the needs of different users, a variety of gameplay recommendations has been included in the experts plan, which diversifies the product content, better meets the individual needs of different types of soccer fans, and provides them with a more timely and accurate reference basis for their investment decisions. Thanks to this series of product strategy and technical optimisation, the monthly retention rate of new users on Crazy Red Insights increased by 37.5%, the retention rate of core users in the first half of the year reached 53.6%, and the overall user satisfaction has been increased, extending the overall user life cycle.

— ***Strengthen live streaming interactions to boost users' activity level***

Crazy Red Insights focused on marketing in respect of big data, data modelling, experts distribution and membership through in-depth analysis and research on the current situation and future trends of market products. For users who registered during the World Cup, we adopted multiple wake-up plans, and provided them with rights and benefits services, which significantly increased the user conversion and recall rate. In addition, while improving the overall hit rate of products and services, a series of live broadcasts and community marketing greatly increased the connection between users, experts and products, forming a good service relationship.

— ***Upgraded major customer services to strengthen private domain conversion of loyal users***

Crazy Red Insights is committed to the telemarketing services for major customers, and upgrade of services covering comprehensive contents in order to strengthen conversion of loyal users through private domain. At the same time, Crazy Red Insights provide one-to-one exclusive customer service, upgrade of customised content system for major customers, add on content such as data distribution across cities, detailed analysis to game results, and consolidation of users' long-term cooperation willingness. Revenue arising from major customers grew by 21.0% as compared with the corresponding period of 2022.

— ***Upgraded content presentation with multiple tracks to increase users reach***

With the rapid development of digital technology, user needs are no longer satisfied with information provided in text form. Therefore, Crazy Red Insights has actively upgraded its products from text to various forms like text and video. At the same time, in terms of communication channels, Crazy Red Insights relied on its self-operated platform and disseminated content through the mini programs launched by Baidu, Kuaishou, Alipay, Douyin, WeChat and other platforms, guiding users to place their orders directly on the mini programs or download the Crazy Red Insights APP. This enabled the implementation of a multi-platform operation model for the products of Crazy Red Insights, which greatly enhanced the brand influence of Crazy Red Insights and further reached more users.

— ***Strengthen and consolidate the cooperation platform matrix***

Strengthening and reinforcing the existing cooperation platform matrix is the core strategy of the Company in stabilising and increasing business revenue. After polishing with due care, these platforms have become our quality and stable partners, which enables the Company to gain more market shares. In addition, we have exported our self-developed big data models to our partner channels, which has been well received. At the same time, new profitable function has been included to enrich and satisfy the increasing needs of customers. This innovative development model makes us unique in the industry and more competitive in the market.

In the first half of the year, we contracted with two new partners, Chuqi Tiyu and Zhijian Technology. The addition of these partners not only enhances the Company's influence, but also effectively reaches more users and brings more revenue to the Company.

— ***Continuous development and promotion of content creation in the sports field via Crazy Sports MCN Team***

As a professional producer and publisher of paid sports information platform, we have further broadened Crazy Red Insights' channels to acquire customers by incubating MCN teams internally and conducting live streaming and short-video marketing on short-video platforms such as Douyin, Kuaishou, and WeChat Channels.

During the past six months, in order to improve the quality of contracted experts of the paid sports information, we have optimised hundreds of authors contracted in the platform, which effectively increased the quality of the works in the second season. As of the end of June 2023, the views of the works amounted to 15.35 million, and the number of live viewers amounted to 3.61 million in the first half of the year.

Sports Social Interactive Platform — Crazy Sports APP

Exploring the secondary sports league copyright market via product innovation

In the first half of the year, Crazy Sports APP explored the secondary sports league copyright market by attempting to combine live animation with live streaming of sports events. In terms of product features, we have added and optimised data and live broadcast information of different types of sports matches, such as soccer mini league, Go, billiards, etc., to satisfy the needs of different sports enthusiasts. For live broadcast of events, we have optimised various functions such as entrance guidance, message push, chat room, and anchor interaction, which promoted users' participation in live broadcast and extended the length of their stay. Crazy Sports APP has developed and launched a live broadcast room, where sports users who meet the specified conditions can enjoy the expert match recommendation program for free, adding a new commercialisation path for Crazy Sports' live broadcast.

Sports Events and Interactive Quizzing Platform — Fantasy Sports Events APP

Promote the digital transformation of domestic sports events and bring refreshing experience for quiz challengers

As the progress of sports events has been in full swing in China, Fantasy Sports Events APP has partnered with a number of sports events in 2023, where users fans can participate in interactive entertainment activities such as game watching, interaction, live streaming to earn rewards and having fun quizzes through Fantasy Sports Events APP.

The opening match of the IPBU International Professional Boxing Series kicked off in Macau, China. Fantasy Sports Events APP, as the exclusive online entertainment and interactive platform for such event, conducted live streaming and created fun and interesting quizzing games in connection with such event. More than 1 million users have watched the live broadcast of the event online for three hours. Fantasy Sports Events APP also live streamed the 2023 CBSA Chinese Pool International Professional League – International Elite and provided all-time interactive entertainment quizzing services for the sports event.

Fantasy Sports Events APP will empower more domestic sports events in the second half of 2023, including the “JiuJiu Cup” Wenchang (Hainan) Township Volleyball League which lasted for nearly one and a half months. Fantasy Sports Events APP will serve for local folk matches in Hainan as well as promote Hainan’s characteristics in culture and tourism by linking up with regional tourism, culture, sports and entertainment, so as to explore the new direction of sports culture and tourism.

Sports Lottery Retail Services

Refine operation management to seize new opportunities in sports lottery

The new retail lottery business in 2023 was principally engaged in several key areas including being less oriented towards management, focus on operation, seizing opportunities, seeking innovation, broaden the sources of income and reduce expenditure as well as sustainable development. In view of the analysis conducted in respect of the lottery business in China, we have changed the management of certain operating regions from centralised operation to joint operation, strengthened the digitalisation of operation, reduced the operating costs and motivate the operation personnel to be actively engaged in sales activities, with incentives aligned to the sales volume.

In the first half of the year, we have endeavoured to seek new market opportunities in the new lottery retail business while ensuring the steady development of the existing business with high quality, by exploring business models and business ventures in respect of live broadcasting + online celebrity lottery stores, sports lottery franchised stores + new retail, scratch-off lottery kiosk and welfare lottery, to expand its lottery business. It is hoped that the expansion of new business models will enrich the ecosystem of the new lottery retail business and increase the sales volume and revenue of the Group’s lottery business.

In the first half of the year, we actively explored all aspects of our business with provincial and municipal sports lottery administrative centers, and reached close cooperation in the areas of sale and promotion of instant lottery tickets via live streaming, the creation of online celebrity sports lottery stores, training in-store marketing and promotion, and the development, operation and maintenance of the management platforms of provincial and municipal sports lotteries. In May 2023, we won the bid for the 2023 Hebei Sports Lottery Franchise Business Project (河北體彩連鎖管道運營服務項目). The project is to provide the stores of Hebei Sports Lottery Franchise with services such as store visit, procurement of motorcycles, marketing campaign, establishment of theme stores and arrangement of store supplies.

Sports and Leisure Gaming Business

In the first half of the year, Crazy Sports made breakthroughs in sports game upgrades, sports game IP, sports game internationalisation, new categories of games releases, etc. Crazy Sports' scale and vertical brand advantages in the Chinese game publishing market are gradually emerging, meanwhile, it is developing new categories of games and looking for new growth drivers.

— *Fully upgrading new games and developing sports games with long life cycle*

Crazy Sports endeavors to create sports science games, enrich online sports scenes, and facilitate the dissemination and promotion of offline sports. Sports games such as “Ace Soccer”, “Dream Soccer”, “Soccer Manager” are the authentic soccer e-sports mobile game of FIFPro, the official soccer e-sports mobile game of the CSL and a soccer manager simulation game, respectively, covering three mainstream game categories including card formation, soccer e-sports and management simulation. By launching new versions of games through comprehensive upgrades, we lead the development of sports games with long-life cycle.

“Ace Soccer” is based on the “card” system, which enables real-time control, story plot, card formation, free club transfer and other innovative playing methods. “Ace Soccer” ushered in its second anniversary in May 2023, and a huge expansion patch was launched for its second anniversary. New game modes, namely “Cross-server Contest” and “Legendary Star Challenge”, were produced, meanwhile, a series of themed celebrations such as new zones, anniversary login theme, etc. were launched to reward new and veteran players of “Ace Soccer” out of gratitude. With continuous innovation in product quality and gameplay, “Ace Soccer” has created a better soccer gaming experience for its users, and accumulated excellent user reputation. In the first half of 2023, the game was recommended 13 times in total by Today at Apple, Lantern Festival features, Play Fresh (玩點新鮮的) features, Selected Soccer Games features, etc., and was recommended on Android channels, such as Huawei, OPPO, VIVO, and Xiaomi, multiple times.

The official e-sports mobile game of the CSL, “Dream Soccer”, was upgraded to a grand version in June 2023 for the 2023 new season. The new season includes expansion patches including CSL player data of the 2023 new season with over 60 new CSL players, two new clubs, namely Qingdao Hainiu F.C. and Nantong Zhiyun F.C., as well as new purple card players and new purple card coaches. “Dream Soccer” has launched a regional competition game mode based on the CSL clubs, and is committed to creating an interactive gaming platform that connects the CSL, CSL clubs and their fans. The game spreads soccer culture through soccer game where gamers can embark on their journey of chasing Chinese soccer dreams to cheer for Chinese soccer. In the first half of 2023, the game was recommended 7 times in total by Lantern Festival features and Play Fresh features on Apple’s APP Store.

The official soccer manager simulation mobile game “Soccer Manager” is an immersive soccer manager game. By playing the role of a soccer manager, gamers can recruit their favorite soccer players, set team tactics, upgrade players’ attributes, update club facilities, etc., and lead the team to the top of the soccer world. In the 2023 version of “Soccer Manager” soccer manager game, gamers who play as soccer managers may continuously challenge stronger opponents through competitions and improve their personal rankings in the game, enabling them to devise strategies that will assure victories in the virtual soccer world. In the first half of 2023, the game was recommended 5 times by Selected Soccer Games features on Apple’s APP Store. Currently, “Soccer Manager” is in the long-term recommendation under the sports game category on Apple’s APP Store.

— ***Create a sports game IP strategic map that highlights industry barriers and competitive advantages***

Crazy Sports, being the game partner of FIFPro, the official game partner of the CSL, has made another victory in the sports game IP strategic map in March 2023. Crazy Sports has officially obtained the official game IP licenses of LaLiga, including the LaLiga logo, the logos of 20 soccer clubs such as Real Madrid, Barcelona, Atlético de Madrid and Espanyol, as well as the IP licenses of LaLiga stars. Upon obtaining the official IP license of LaLiga, Crazy Sports has become a game publisher with three major sports game IPs including FIFPro, LaLiga and the CSL, and has successfully created a sports game IP strategic map with industry barriers, laying a solid foundation for the future release of phenomenal sports games with a long life cycle.

In addition, in July 2023, Crazy Sports concluded the contract renewal of its global IP copyright with FIFPro. Crazy Sports is authorised to use the IP of names and portraits of players from 54 national teams or soccer leagues around the world, including England, France, Spain, Italy, and the Netherlands, and the validity period of use has been extended to 2026. Through the long-term cooperation with FIFPro, Crazy Sports has not only obtained the IP rights to use the names and portraits of many world-renowned soccer stars, it can also resonate with potential consumers through world-class stars, thereby enhancing the emotional connection between game brand and gamers, and in turn improving the core competitiveness of the game distribution function of Crazy Sports, which has important strategic significance for the promotion of Crazy Sports Group and its product brands.

— ***Fully launch the international distribution strategy based on sports game IP***

As Crazy Sports has recently obtained the rights to use the global IP rights of FIFPro, the overseas version of “Ace Soccer” will greatly enhance the consumption awareness among fans around the world, thereby increasing the stickiness of game users and the commercialisation of the game.

As the copyright owner of FIFPro, Crazy Sports will fully launch an international distribution strategy in the second half of 2023, whereby Crazy Sports is expected to publish a soccer game duly authorised by FIFPro, in Vietnam in August 2023, while Crazy Sports is expected to publish “Ace Soccer” in Europe, America, Japan, South Korea, the Middle East and some Southeast Asian countries in October 2023.

— *Launch of new game genres*

Crazy Sports Group will not only fulfil its social responsibility in the promotion and popularisation of sports, but will also strive to revitalise the cultural and creative industries by launching new game genres. In the first half of 2023, Crazy Sports contracted for a mythology-themed game called “Soaring High” (乘風之旅) and a Three Kingdoms-themed mobile game called “Drunken Plan for the Three Kingdoms” (醉計三國). By fully leveraging on Crazy Sports’ distribution channels, such games are able to promote Chinese traditional culture and provide a new growth opportunity for developing the Group’s game business.

— *Co-publishing continues to gain momentum, with steady growth in game revenues*

In the first half of 2023, the Group’s games co-publishing business continued to grow steadily, relying on the platform’s long-term accumulated advantages in game distribution and channel promotion. By co-publishing high-quality games from game platforms such as Meizu, Netease and 4399, the Group has continued to develop its strength in the categories of mobile games such as casual puzzle games, ARPG games, and business simulation games, accumulating a high-quality user base. It has gradually established an excellent reputation and brand in the industry, laying a solid foundation for the further development of the games co-publishing business.

Qiankun Digital Collectibles

In the first half of 2023, the digital collectibles market was in the doldrums, and Qiankun Digital Collectibles’ revenue decreased by 96.5% as compared to the corresponding period of 2022. During the Period, despite the decrease, the Group continued to strengthen its technological R&D and content innovation, and continued to be empowered by digital collectibles to create more application scenarios for users and satisfy their entertainment needs. Crazy Sports independently developed the “Qiankun Alliance Chain”, effectively reducing costs and providing underlying technical support for business diversification.

In the first half of 2023, Qiankun Digital Collectibles took the lead in creating the first blockchain-based community exchange platform in the industry for digital collectibles users in China, “Collectibles Community”. The community provides a platform for digital collectibles enthusiasts to interact and communicate with each other. Users can share their own collectibles, exchange ideas and establish connections with other users in the community. These innovative marketing initiatives not only expanded the interaction channels between users and the platform, but also increased users’ interest and participation in the digital collectibles business. We will continue to promote innovative marketing strategies and seek new marketing opportunities to further expand the market share and user base of the digital collectibles business.

Qiankun Digital Collectibles actively promoted digital collectibles empowerment and has launched extensive cooperation with other platforms. In the first half of 2023, the Digital Collectibles Empowerment Interactive Game Platform was launched, providing users with more ways of entertainment and interaction. The platform combined the characteristics of digital collectibles with the entertainment of games, enabling users to gain more collectibles empowerment opportunities through participation in the games. The launch of the platform has greatly increased the activeness and stickiness of users, attracted more users to participate, and increased the exposure and popularity of the platform.

At the same time, through the collectibles empowerment bonus system, users can link their original collectibles with bonus points and use the platform with the bonus points. Users can use the bonus points to participate in lucky draws, redeem coupons, and obtain exclusive event privileges, allowing the value of the collectibles to be more widely used and enhanced.

FINANCIAL REVIEW

Comparison of six months ended 30 June 2023 and corresponding period of 2022

The following table sets forth the comparative figures for the six months ended 30 June 2023 and the corresponding period of 2022:

	Unaudited	
	For the six months ended	
	30 June	
	2023	2022
	(HK\$'000)	(HK\$'000)
Revenue	272,890	286,483
Cost of revenue	<u>(178,598)</u>	<u>(156,597)</u>
Gross profit	94,292	129,886
Other gains and losses	8,072	64,043
Selling and marketing expenses	(83,727)	(81,873)
Administrative expenses	(21,836)	(38,407)
Expected credit loss on other receivables	—	(20,188)
Share of result of an associate	(5,784)	(5,180)
Finance costs	<u>(763)</u>	<u>(426)</u>
(Loss)/profit before income tax	(9,746)	47,855
Income tax credit	<u>247</u>	<u>1,347</u>
(Loss)/profit for the Period	<u><u>(9,499)</u></u>	<u><u>49,202</u></u>

Revenue

The Group's total revenue for the Period was HK\$272.9 million, representing a decrease of HK\$13.6 million or 4.7% as compared with the corresponding period of 2022. The Group generated revenue mainly from five areas: (i) paid sports information platform; (ii) sports social interactive platform; (iii) sports and leisure games; (iv) lottery-related commission income; and (v) digital collectibles platform. The following table sets forth the revenue breakdown of the Group for the periods indicated:

	Unaudited			
	For the six months ended 30 June			
	2023		2022	
<i>(In HK\$'Million, other than percentages)</i>	Amount	As a percentage of segment revenue	Amount	As a percentage of segment revenue
Paid sports information platform	114.7	42.0%	96.7	33.8%
Sports social interactive platform	16.6	6.1%	31.1	10.8%
Sports and leisure games	134.4	49.2%	132.3	46.2%
Lottery-related commission income	6.5	2.4%	6.4	2.2%
Digital collectibles platform	0.7	0.3%	20.0	7.0%
	<u>272.9</u>	<u>100.0%</u>	<u>286.5</u>	<u>100.0%</u>

During the Period, revenue generated from paid sports information platform amounted to HK\$114.7 million, representing an increase of HK\$18.0 million or 18.6% compared with the corresponding period of 2022. Leveraging the growth in monthly active users during the Qatar World Cup, the Group successfully retained users through the introduction of advanced data analysis and AI technology on its platform, and implementation of key business strategies. Besides, the sales potential for sports lotteries and related services was unleashed after the pandemic and the 2022 Qatar World Cup. The Group seized the opportunity of market fever and actively promote the paid sports information platform to new customers, hence an increase in product popularity and demand.

Revenue generated from sports social interactive platform decreased by 46.6% to HK\$16.6 million during the Period. The sports social interactive platform was in its product reengineering stage, which had affected its business performance. During the Period, Crazy Sports APP was venturing into the market of broadcasting rights in different types of sports matches, and attempted to combine live animation with live streaming of sports events.

Revenue generated from sports and leisure games increased by 1.6% to HK\$134.4 million during the Period, which maintained at similar level in the corresponding period of 2022. In the first half of 2023, self-developed sports games such as “Ace Soccer”, “Dream Soccer”, and “Soccer Manager” had launched comprehensive upgrades and new versions. At the same time, through co-publishing high-quality games from game platforms such as Meizu, Netease and 4399, the Group’s games co-publishing business continued to grow steadily.

The Group’s self-developed digital collectibles platform, Qiankun Digital Collectibles, was launched in April 2022. It successfully gained attention from sports and cultural enthusiasts during its debut, recorded revenue amounted to HK\$20.0 million during the first half of 2022. The revenue significantly decreased by 96.5% during the Period, which was affected by deteriorated market demands and product reform.

Cost of Revenue and Gross Profit

Our cost of revenue primarily consists of (i) commissions charged by distribution channels and payment channels; (ii) revenue share to IP holders; (iii) revenue share to key opinion leaders and sports experts and (iv) amortisation of intangible assets. Total cost of revenue of the Group increased by 14.0% to HK\$178.6 million during the Period as compared with the corresponding period in 2022. The Group reported a gross profit of HK\$94.3 million during the Period, representing a decrease of 27.4% as compared to HK\$129.9 million for the corresponding period of 2022; meanwhile, the gross margin for the Period decreased to 34.6% from 45.3% in the corresponding period of 2022.

The main reason for the decrease in gross margin was the increase in commissions charged by distribution channels and payment channels for the Group’s games and applications. Besides, the amortisation of intangible assets included as cost of sales increased by 103.9% to HK\$18.4 million during the Period as compared with the corresponding period in 2022.

Other Gains and Losses

Other gains and losses for the Period recorded a gain of HK\$8.1 million. It was mainly generated from dividend income from financial assets amounted to HK\$2.8 million and exchange gain of HK\$4.9 million. In the corresponding period of 2022, other gains were due to the realised exchange gains from disposal of a subsidiary amounted to HK\$42.7 million and dividend income from financial assets amounted to HK\$20.2 million.

The Group recorded expected credit loss on other receivables of HK\$20.2 million during the six months ended 30 June 2022. No provision for expected credit loss was recognised during the Period.

Selling and Marketing Expenses

Selling and marketing expenses for the Period increased by 2.3% to HK\$83.7 million from HK\$81.9 million for the corresponding period of 2022. During the Period, the Group increased its promotion and marketing efforts in the online and offline sports lottery community ecosystems, which comprised of the paid sports information platform and offline lottery retail services channel. We deployed resources to attract new potential users, and added more youth-oriented, interactive marketing methods to broaden the user base.

Administrative Expenses

Administrative expenses for the Period decreased by 43.1% to HK\$21.8 million from HK\$38.4 million for the corresponding period of 2022. The decrease in administrative expenses was a result of cost reallocation and restructuring measures exercised by the Group to improve cost efficiency of corporate expenses.

Share of Result of an Associate

Share of loss of an associate was HK\$5.8 million for the Period whereas share of loss of HK\$5.2 million was recorded for the corresponding period of 2022. The slight increase in loss was due to an increase in administrative expenses incurred by the associate.

Income Tax Credit

There was a decrease in income tax credit recorded in the Period as compared to that of the corresponding period of 2022.

(Loss)/profit for the Period

As a result of the foregoing, the Group had a loss for the Period of HK\$9.5 million, as compared to a profit of HK\$49.2 million for the corresponding period in 2022. The decrease in profit was mainly due to the significant decrease in other gains.

Strategic Investments Held

As at 30 June 2023, the investment portfolio of the Group amounted to HK\$277.5 million (31 December 2022: HK\$270.6 million), which was recorded as financial assets at fair value through profit or loss or through other comprehensive income. The information has been disclosed in the interim condensed consolidated comprehensive income statement and the interim condensed consolidated statement of financial position.

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

As at 30 June 2023, the Group has investment in private equity funds amounted to HK\$275.4 million (31 December 2022: HK\$267.7 million), which accounted for 24.6% of the total assets. The investment comprised of two funds as below:

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

In 2015, the Group entered into a limited partnership agreement to subscribe for the limited partnership interests in CPC Fund and injected US\$31,250,000 to the CPC Fund. The CPC Fund is an exempted limited partnership registered under the laws of the Cayman Islands, which is principally engaged to achieve long-term capital appreciation primarily through privately-negotiated investments in securities and/or equity that operate in mobile internet and technology industries in the Greater China region, in particular the culture and entertainment industry, such as internet literature, dramas and movies, motion pictures, manga and animations, among others. Investing through CPC Fund created synergy merits to the Group as it allows the Group to have business relationship with industry participants. Due to the return received from its successful underlying investments, the Group had received dividend income of HK\$2.8 million from the CPC Fund during the Period (1H2022: HK\$8.2 million). The fair value of the Group’s investment in CPC Fund was HK\$159.9 million as at 30 June 2023 (31 December 2022: HK\$155.4 million), with a fair value gain of HK\$4.5 million recognised as other comprehensive income.

(b) *New Rock Capital Fund LP (“New Rock Capital Fund”)*

In 2020, the Group has entered into a subscription agreement pursuant to which the Group agreed to subscribe for the limited partnership interests in the New Rock Capital Fund at an aggregate subscription amount of US\$11,080,000. Up to the end of the Period, the Group has invested in aggregate HK\$129.0 million (31 December 2022: HK\$129.0 million) into New Rock Capital Fund. New Rock Capital Fund is an exempted limited partnership registered under the laws of the Cayman Islands, which is established to achieve long-term capital appreciation of the investments and telemedia assets held, by leveraging on the external network and the expertise of the general partner. Since its establishment, the New Rock Capital Fund has sustainably developed internet, media and technology business. The fair value of the Group’s investment in New Rock Capital Fund was HK\$115.5 million as at 30 June 2023 (31 December 2022: HK\$112.3 million), with a fair value gain of HK\$3.2 million recognised as other comprehensive income.

Investment in BOA

The Group has invested 45.49% equity interest in BOA, which is established to provide online digital banking services. BOA holds a General Banking License granted under The Banks and Trust Companies Act 1990 of BVI for the purpose of carrying on banking business within and outside the jurisdiction of BVI. BOA is regulated by the authorities of BVI. It uses advanced digital channels to provide a wide range of cross-border financial services to its global clients, especially companies and individuals associated with offshore jurisdictions, addressing the growing financial needs of international companies, their owners, and multinational conglomerates. BOA has a captive market in the offshore corporate sector of which the BVI is the global leader, with over 380,000 companies. Today, BOA has about 49% of its customers being BVI corporations, and another 19% of its customers being incorporated in other offshore jurisdictions. Hong Kong companies account for some 24% of its clientele. The ultimate beneficial owners of BOA’s customers come from 90 jurisdictions around the world on all continents. BOA also has a wholly owned BVI subsidiary BOA Investment Services Limited, which has been granted an Investment Business license by the British Virgin Islands Financial Services Commission. It undertakes advisory mandates and since 2019 has been serving clients in the aerospace, digital assets, mining and industrial sectors. It is currently working on a number of mandates. A share of losses of HK\$5.8 million was recorded during the Period, compared to share of losses of HK\$5.2 million recorded for the corresponding period of 2022.

Liquidity and Financial Resources

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

	Unaudited	
	For the six months ended	
	30 June	
	2023	2022
	HK\$'000	HK\$'000
Net cash used in operating activities	(23,033)	(29,764)
Net cash (used in)/generated from investing activities	(208)	17,052
Net cash generated from financing activities	12,387	10,078
Net decrease in cash and cash equivalents	(10,854)	(2,634)
Effect of changes in foreign exchange rate	3,284	2,053
Cash and cash equivalents at beginning of the Period	77,905	80,938
Cash and cash equivalents at end of the Period	70,335	80,357

Working Capital

The Group had HK\$70.3 million cash and cash equivalents as at 30 June 2023, as compared to a balance of HK\$77.9 million as at 31 December 2022.

Net cash used in operating activities

The Group's net cash used in operating activities amounted to HK\$23.0 million during the Period, compared to net cash used in operating activities of HK\$29.8 million for the corresponding period of 2022. The Group derived its cash inflow from operating activities primarily through the receipt of income from digital sports entertainment business. The Group's cash outflow from operating activities primarily comprised payments for costs related to the games and applications, selling and marketing expenses and operating expenses such as staff costs.

Net cash (used in)/generated from investing activities

Net cash used in investing activities of the Group was HK\$0.2 million during the Period, compared to net cash generated from investing activities of HK\$17.1 million during the corresponding period of 2022. The cash inflow from investing activities mainly comprised of dividend income of HK\$6.3 million received from strategic investment, off-set by cash outflow from cost of acquisition of intangible assets of HK\$2.5 million and settlement for consideration payable for acquisition of subsidiaries of HK\$4.2 million.

Net cash generated from financing activities

The Group recorded net cash generated from financing activities of HK\$12.4 million during the Period mainly due to the increase in bank borrowings of HK\$14.6 million while net cash generated from financing activities was HK\$10.1 million for the corresponding period of 2022.

Capital Structure

As of 30 June 2023, the Group's total assets amounted to HK\$1,121.2 million (31 December 2022: HK\$1,199.6 million) which were substantially financed by shareholders' fund of HK\$776.0 million (31 December 2022: HK\$813.1 million). The capital of the Group only comprises of ordinary shares.

OTHER FINANCIAL INFORMATION

Treasury policy

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

Gearing Ratio

As of 30 June 2023, gearing ratio was approximately 6.0%, which was calculated by dividing the total borrowings by the equity attributable to owners of the Company.

Material Acquisitions and Disposals

There was no material acquisition and disposal of subsidiaries, associates and joint ventures by the Group during the Period.

Foreign Exchange Risk

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

Pledge of Assets

As at 30 June 2023, certain trade receivables amounting approximately HK\$38.3 million (31 December 2022: HK\$Nil) , and an intangible asset with carrying amount of HK\$Nil (31 December 2022: HK\$Nil) are pledged to certain corporate guarantees for counter guarantees of secured bank loans granted by the Bank of China.

Contingent Liabilities

The Group had no significant contingent liabilities as of 30 June 2023 (31 December 2022: Nil).

Interim Dividend

The Board has resolved not to declare any interim dividend for the Period.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	6	272,890	286,483
Cost of revenue		(178,598)	(156,597)
Gross profit		94,292	129,886
Other gains and losses	7	8,072	64,043
Selling and marketing expenses		(83,727)	(81,873)
Administrative expenses		(21,836)	(38,407)
Expected credit loss on other receivables		—	(20,188)
Share of result of an associate		(5,784)	(5,180)
Finance costs	8	(763)	(426)
(Loss)/profit before income tax	9	(9,746)	47,855
Income tax credit	10	247	1,347
(LOSS)/PROFIT FOR THE PERIOD		(9,499)	49,202
Other comprehensive income			
Items that may be reclassified to profit or loss:			
— Exchange differences arising on translation of foreign operations		—	(13,434)
— Reclassification upon disposal of a subsidiary		—	(43,711)
		—	(57,145)
Items that will not be reclassified to profit or loss:			
— Exchange differences arising on translation of presentation currency		(35,460)	(25,859)
— Fair value change on financial assets at fair value through other comprehensive income		7,711	(71,569)
Other comprehensive income for the period		(27,749)	(154,573)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(37,248)	(105,371)
(LOSS)/PROFIT FOR THE PERIOD			
ATTRIBUTABLE TO:			
Owners of the Company		(9,462)	49,202
Non-controlling interests		(37)	—
		(9,499)	49,202

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(37,131)	(105,371)
Non-controlling interests		(117)	—
		<u>(37,248)</u>	<u>(105,371)</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE OF OWNERS OF THE COMPANY			
— Basic (HK cents)	<i>11</i>	<u>(0.21)</u>	<u>1.09</u>
— Diluted (HK cents)	<i>11</i>	<u>(0.21)</u>	<u>1.09</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2023 (Unaudited) <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	<i>12</i>	1,375	1,845
Goodwill		391,297	410,124
Intangible assets		113,957	135,476
Interest in an associate	<i>13</i>	18,304	24,088
Financial assets at fair value through other comprehensive income		275,440	267,729
Right-of-use assets		6,875	8,581
Deferred tax assets		292	306
Prepayments for purchase of intangible assets		9,272	9,717
		816,812	857,866
CURRENT ASSETS			
Trade receivables	<i>14</i>	156,728	175,576
Other receivables, deposits and prepayments		74,394	83,469
Financial assets at fair value through profit or loss		2,074	2,880
Amounts due from related companies		653	682
Tax receivables		172	1,248
Cash and cash equivalents		70,335	77,905
		304,356	341,760
TOTAL ASSETS		1,121,168	1,199,626

		As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade and other payables	15	101,558	121,435
Contract liabilities		38,966	65,754
Lease liabilities	18	2,813	2,831
Amounts due to related companies		37,584	41,784
Bank borrowings	18	46,441	33,959
Income tax payable		112,094	112,094
		<u>339,456</u>	<u>377,857</u>
NET CURRENT LIABILITIES		<u>(35,100)</u>	<u>(36,097)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>781,712</u>	<u>821,769</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		62	1,144
Lease liabilities	18	4,035	5,762
		<u>4,097</u>	<u>6,906</u>
NET ASSETS		<u><u>777,615</u></u>	<u><u>814,863</u></u>
EQUITY			
Share capital		45,262	45,262
Reserves		730,692	767,823
		<u>775,954</u>	<u>813,085</u>
Equity attributable to owners of the Company		775,954	813,085
Non-controlling interests		1,661	1,778
		<u>777,615</u>	<u>814,863</u>
TOTAL EQUITY		<u><u>777,615</u></u>	<u><u>814,863</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								Total
	Share capital	Share premium	Investment revaluation reserve	Other reserves	Share-based compensation reserve	Exchange fluctuation reserve	Accumulated losses	Non-controlling interests	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 January 2022 (audited)	45,262	1,771,496	32,911	1,059,408	5,882	54,725	(1,917,070)	—	1,052,614
Profit for the period	—	—	—	—	—	—	49,202	—	49,202
Other comprehensive income	—	—	(71,569)	—	—	(83,004)	—	—	(154,573)
Total comprehensive income for the period	—	—	(71,569)	—	—	(83,004)	49,202	—	(105,371)
Balance at 30 June 2022 (unaudited)	<u>45,262</u>	<u>1,771,496</u>	<u>(38,658)</u>	<u>1,059,408</u>	<u>5,882</u>	<u>(28,279)</u>	<u>(1,867,868)</u>	<u>—</u>	<u>947,243</u>
Balance at 1 January 2023 (audited)	45,262	1,771,496	(115,580)	1,059,048	4,551	(55,011)	(1,897,041)	1,778	814,863
Loss for the period	—	—	—	—	—	—	(9,462)	(37)	(9,499)
Other comprehensive income	—	—	7,711	—	—	(35,380)	—	(80)	(27,749)
Total comprehensive income for the period	—	—	7,711	—	—	(35,380)	(9,462)	(117)	(37,248)
Transfer upon maturity of financial assets at fair value through other comprehensive income	—	—	16,337	—	—	—	(16,337)	—	—
Lapse of share options	—	—	—	—	(328)	—	328	—	—
Balance at 30 June 2023 (unaudited)	<u>45,262</u>	<u>1,771,496</u>	<u>(91,532)</u>	<u>1,059,408</u>	<u>4,223</u>	<u>(90,391)</u>	<u>(1,922,512)</u>	<u>1,661</u>	<u>777,615</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Crazy Sports Group Limited (the “**Company**”) is a limited liability company incorporated in Bermuda. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. Its principal place of business in Hong Kong is located at Suites 3702–03, 37/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

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

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”), issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). These interim condensed consolidated financial statements were authorised for issue on 25 August 2023.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2022 annual financial statements.

The preparation of these interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. The areas where significant judgements and estimates have been made in preparing the interim condensed consolidated financial statements and their effect are disclosed in Note 4.

The functional currency of the Company is Renminbi (“RMB”), while the interim condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated, which the Directors considered it is more relevant to the users of the financial statements. As the Company is listed on the Main Board of the Stock Exchange, the Directors consider that it will be more appropriate to continuously adopt Hong Kong dollars as the Group’s and the Company’s presentation currency. These interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. These interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the 2022 consolidated financial statements.

These interim condensed consolidated financial statements are unaudited.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, as described therein.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statements 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The new or amended HKFRSs that are effective from 1 January 2023 did not have any significant impact on the Group’s interim condensed consolidated financial statements.

4. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2022 annual financial statements.

5. SEGMENT REPORTING

(a) Reportable segments

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

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

For the six months ended 30 June 2023 and 2022, the Group has only one reportable operating segment which is the Digital sports entertainment business. Thus, no operating segments have been aggregated to form the above reportable operating segment.

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

(b) Geographical information

During the six months ended 30 June 2023 and 2022, 100% of the Group's revenue was attributable to customers in the PRC. As at 30 June 2023, over 90% (31 December 2022: over 90%) of the Group's total non-current assets, excluding financial assets at fair value through other comprehensive income and deferred tax assets, are located in the PRC and the remaining non-current assets are located in Hong Kong.

(c) Major customers

There was no revenue from individual customers of the Group contributing over 10% of the Group's revenue during the six months ended 30 June 2023 and 2022.

6. REVENUE

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

	Six months ended 30 June	
	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Digital sports entertainment business		
Sports and leisure games	134,396	132,343
Paid sports information platform	114,727	96,676
Sports social interactive platform	16,621	31,115
Lottery related commission income	6,418	6,349
Digital collectibles platform	728	20,000
	<u>272,890</u>	<u>286,483</u>
Timing of revenue recognition		
At a point in time	728	20,000
Transferred over time	272,162	266,483
	<u>272,890</u>	<u>286,483</u>

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net foreign exchange gains/(losses)	4,905	(212)
Dividend income from financial assets at fair value through other comprehensive income	2,825	20,243
Government grants	802	973
Interest income	133	20
Gain on modification of lease	—	248
Net gain on disposal of a subsidiary	—	42,721
Fair value loss on financial assets at fair value through profit or loss	(806)	(49)
Others, net	213	99
	<u>8,072</u>	<u>64,043</u>

8. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on lease liabilities	166	159
Interest on bank borrowings	597	267
	<u>763</u>	<u>426</u>

9. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs (excluding directors' remuneration)		
— Salaries and wages	7,943	8,249
— Pension fund contributions	1,598	1,645
	<u>9,541</u>	<u>9,894</u>
Depreciation of property, plant and equipment	439	882
Depreciation of right-of-use assets	1,431	1,204
Amortisation of intangible assets included in		
— Cost of revenue	18,430	9,038
— Administrative expenses	—	10,058
Expected credit loss on other receivables	—	20,188
Auditor's remuneration	150	150

10. INCOME TAX CREDIT

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

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current tax		
— Hong Kong profits tax for the period	—	—
— PRC enterprise income tax for the period	831	9
	831	9
Deferred taxation	(1,078)	(1,356)
Income tax	(247)	(1,347)

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits arising in Hong Kong for both six months ended 30 June 2023 and 2022. No provision was made for Hong Kong profits tax as the Group had no assessable profits in Hong Kong during the Period.

The subsidiaries established in the PRC are subject to enterprise income tax (“EIT”) at tax rates of 25% for both six months ended 30 June 2023 and 2022, except:

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

Khorgos Crazy New Game Network Technology Company Limited (“**Khorgos Crazy**”) (霍爾果斯瘋狂新遊網絡科技有限公司), a company incorporated as a limited liability company in Khorgos Special Region, Xinjiang, PRC. Pursuant to the tax exemption document and complied with PRC tax regulations, Khorgos Crazy is exempted from EIT for five years since the year ended 31 December 2017, followed by a 50% reduction in the applicable tax rates for the next five years commencing from the year ended 31 December 2022. Khorgos Crazy is entitled to a preferential tax rate of 12.5% for the six months ended 30 June 2023 and 2022.

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

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

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

(Loss)/earnings

	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share	<u>(9,462)</u>	<u>49,202</u>

Number of shares

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

(Loss)/earnings per share

	2023 (Unaudited) <i>HK Cents</i>	2022 (Unaudited) <i>HK Cents</i>
— Basic	<u>(0.21)</u>	<u>1.09</u>
— Diluted	<u>(0.21)</u>	<u>1.09</u>

For the six months ended 30 June 2023 and 2022, the computation of diluted (loss)/earnings per share does not assume the exercise of the outstanding share options as the exercise price of the Company's share options was higher than the average market price for shares.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of approximately HK\$10,000 (six months ended 30 June 2022: HK\$256,000).

13. INTEREST IN AN ASSOCIATE

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Share of net assets other than goodwill	7,026	12,810
Goodwill	<u>183,135</u>	<u>183,135</u>
	190,161	195,945
Less: impairment	<u>(171,857)</u>	<u>(171,857)</u>
	<u>18,304</u>	<u>24,088</u>

Particulars of the Group's associate are as follows:

Name of company	Form of business structure	Place of incorporation and operation	Percentage of ownership interests/voting rights/profit share	Principal activity
Bank of Asia (BVI) Limited ("BOA")	Limited company	British Virgin Islands (the "BVI")	45.49% (31 December 2022: 45.49%)	Provision of BVI banking services

14. TRADE RECEIVABLES

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

	As at 30 June 2023 (Unaudited) <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i>
Within 6 months	125,596	168,287
Over 6 months but within 1 year	29,466	6,475
Over 1 year	1,666	814
	<u>156,728</u>	<u>175,576</u>

The Group assessed impairment loss based on the expected credit loss model. The Group has a policy granting its customers credit periods normally ranging from 90 to 180 days. The Group does not hold any collateral as security.

As at 30 June 2023, certain trade receivables amounting approximately HK\$38,312,000 (31 December 2022: HK\$Nil) are pledged to certain corporate guarantees for counter guarantees of secured bank loans granted by the Bank of China (Note 18(a)(ii)).

15. TRADE AND OTHER PAYABLES

	As at 30 June 2023 (Unaudited) <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i>
Trade payables		
Within 6 months	32,268	29,023
Over 6 months but within 1 year	3	497
Over 1 year but within 2 years	715	1,217
Over 2 years	808	746
	<u>33,794</u>	<u>31,483</u>
Total trade payables	33,794	31,483
Accrued liabilities and other liabilities	67,764	89,952
	<u>101,558</u>	<u>121,435</u>

16. CAPITAL COMMITMENTS

	As at 30 June 2023 (Unaudited) <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i>
Contracted, but not provided for:		
— Intangible assets	<u>4,212</u>	<u>4,415</u>

17. RELATED PARTY TRANSACTIONS

- (a) Save for those disclosed elsewhere in these interim condensed financial statements, the Group has no material related party transactions during the six months 30 June 2023 and 2022.
- (b) The remuneration of directors and other members of key managements during the six months ended 30 June 2023 and 2022 are as follows:

	Six months ended 30 June	
	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>
Short term benefits	<u>9,709</u>	<u>12,515</u>

- (c) On 27 June 2023, Mr. Peng Xitao, being the director of the Group, entered into an agreement with the Bank of Beijing, an unlimited personal guarantee is provided by Mr. Peng Xitao to the Bank of Beijing for a banking facility of RMB2,000,000 granted to the Group.
- (d) On 25 June 2023, Mr. Peng Xitao, being the director of the Group and Mr. Wei Guilei, being the director of a subsidiary of the Group, entered into guarantee agreements with a third party corporate, Beijing SME Finance Re-guarantee Co., Ltd (“**Beijing SME**”), pursuant to which unlimited personal guarantee by Mr. Peng Xitao, unlimited personal guarantee by Mr. Wei Guilei and corporate guarantee by a subsidiary of the Group were granted in favour of Beijing SME as counter-guarantee. Beijing SME will provide guarantee to the Bank of China for banking facilities totalling RMB20,000,000 granted to the Group.
- (e) On 21 December 2022, Mr. Peng Xitao, being the director of the Group, entered into an agreement with the China CITIC Bank, an unlimited personal guarantee is provided by Mr. Peng Xitao to the China CITIC Bank for a banking facility of RMB5,000,000 granted to the Group.
- (f) On 23 June 2022, Mr. Peng Xitao, being the director of the Group and Mr. Wei Guilei, being the director of a subsidiary of the Group, entered into a guarantee agreement with a third party corporate, Beijing Shichuang Tongsheng Finance Guarantee Co., Ltd. (“**Beijing Shichuang**”), pursuant to which a property owned by Mr. Peng Xitao, unlimited personal guarantee by Mr. Peng Xitao, unlimited personal guarantee by Mr. Wei Guilei and corporate guarantee by a subsidiary of the Group were granted in favour of Beijing Shichuang as counter-guarantee. Beijing Shichuang will provide guarantee to the Bank of Beijing for banking facilities totalling RMB7,000,000 granted to the Group.
- (g) On 28 March 2022, Mr. Peng Xitao, being the director of the Group, entered into a guarantee agreement with a third party corporate, Beijing Yizhuang International Finance Guarantee Co. Ltd (“**Beijing Yizhuang**”), pursuant to which an unlimited personal guarantee by Mr. Peng Xitao was granted in favour of Beijing Yizhuang as counter-guarantee. Beijing Yizhuang will provide guarantee to the Bank of China for a banking facility of RMB5,000,000 granted to the Group.

On 11 February 2022 and 23 June 2022, Mr. Peng Xitao, being the director of the Group and Mr. Wei Guilei, being the director of a subsidiary of the Group, entered into guarantee agreements with a third party corporate, Beijing SME, pursuant to which a property owned by Mr. Peng Xitao, unlimited personal guarantee by Mr. Peng Xitao, unlimited personal guarantee by Mr. Wei Guilei and corporate guarantee by a subsidiary of the Group were granted in favour of Beijing SME as counter-guarantee. Beijing SME will provide guarantee to the Bank of China for banking facilities totalling RMB13,000,000 granted to the Group.

- (h) The amounts due from related companies are interest-free, unsecured and repayable on demand.

The amounts due to related companies are interest-free, unsecured and repayable on demand.

18. BANK BORROWINGS AND LEASE LIABILITIES

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Current liabilities		
Bank borrowings due for repayment within one year		
– Secured (<i>Note (a)</i>)	29,161	33,959
– Unsecured (<i>Note (b)</i>)	17,280	—
	<u>46,441</u>	<u>33,959</u>
Lease liabilities – current portion	2,813	2,831
	<u>49,254</u>	<u>36,790</u>
Bank borrowings and lease liabilities – repayable within one year		
	<u>49,254</u>	<u>36,790</u>
Non-current liabilities		
Lease liabilities – non-current portion	4,035	5,762
	<u>4,035</u>	<u>5,762</u>

- (a) The secured bank borrowings are carried at amortised cost and represented the loans as below:
- (i) As at 30 June 2023, a bank loan granted by the Bank of Beijing of RMB2,000,000 (equivalent to HK\$2,160,000) is secured by a personal guarantee as detailed in Note 17(c) and bear interest of 4.25% per annum. The loan is repayable within one year on 27 June 2024.
 - (ii) As at 30 June 2023, certain bank loans granted by the Bank of China totalling RMB20,000,000 (equivalent to HK\$21,601,000) are secured by certain corporate guarantees as detailed in Notes 14 and 17(d) and bear interest of 2.90% per annum. The loans are repayable within one year on 29 March 2024, 29 April 2024, and 29 June 2024.
 - (iii) As at 30 June 2023 and 31 December 2022, a bank loan granted by the China CITIC Bank of RMB5,000,000 (equivalent to HK\$5,400,000, 31 December 2022: equivalent to HK\$5,660,000) is secured by a personal guarantee as detailed in Note 17(e) and bear interest of 3.70% per annum. The loan is repayable within one year on 21 December 2023.
 - (iv) As at 31 December 2022, certain bank loans granted by the Bank of Beijing totalling RMB7,000,000 (equivalent to HK\$7,924,000) were secured by certain corporate guarantees as detailed in Note 17(f) and bore interest of 3.70% per annum. The loans were repayable within one year on 29 June 2023.

- (v) As at 31 December 2022, certain bank loans granted by the Bank of China totalling RMB18,000,000 (equivalent to HK\$20,375,000) were secured by certain corporate guarantees as detailed in Note 17(g) and bore interest ranging from 2.85% to 3.73% per annum. The loans were repayable within one year on 28 February 2023, 30 March 2023 and 29 June 2023.
- (b) As at 30 June 2023, the unsecured bank borrowings granted by certain banks totalling RMB16,000,000 (equivalent to HK\$17,280,000) bear interest ranging from 2.15% to 4.25% per annum. The loans are carried at amortised cost. The loans are repayable within one year on 27 March 2024, 19 April 2024, 9 June 2024, 15 June 2024 and 27 June 2024.
- (c) As at 30 June 2023 and 31 December 2022, the fair value of bank borrowings approximates to their carrying amount largely due to the short-term maturities.

Lease liabilities

	Properties	
	<i>HK\$'000</i>	
At 1 January 2022 (audited)		6,809
Additions		8,227
Interest expense		349
Lease payments		(3,188)
Modification of lease		(3,250)
Exchange adjustments		(354)
		<hr/>
At 31 December 2022 and 1 January 2023 (audited)		8,593
Interest expense		166
Lease payments		(1,645)
Exchange adjustments		(266)
		<hr/>
At 30 June 2023 (unaudited)		6,848
		<hr/> <hr/>
	As at	As at
	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities	2,813	2,831
Non-current liabilities	4,035	5,762
	<hr/>	<hr/>
	6,848	8,593
	<hr/> <hr/>	<hr/> <hr/>

19. DISPOSAL OF A SUBSIDIARY

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

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

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

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

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

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

Net cash outflow arising on disposal during the six months ended 30 June 2022

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

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company had applied and complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2023.

The Board shall continue to monitor and review the Company's corporate governance practices to ensure compliance.

EMPLOYEES REMUNERATION AND BENEFITS

As at 30 June 2023, the Group had a total of 88 employees, which include the management and the employees in administration, R&D, sales and marketing departments. The Group regularly reviews its professional team members and will expand its management team whenever necessary.

The Group remunerates the Directors and its staff primarily based on their contributions, responsibilities, qualifications and experiences. The Group has implemented share option scheme for its staff. The Group has granted share options to the Directors and other employees to encourage them towards enhancing the value of the Group and promote the long-term growth of the Group.

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions and dealings, which applies to all the relevant persons as defined in the Model Code, including the Directors, any employee of the Company, or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment or involvement, are likely to come into contact or be in possession of unpublished price sensitive information in relation to the Company or its securities. Specific enquiry has been made to all Directors who have confirmed their compliance with the required standards set out in the Model Code during the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's securities listed on the Stock Exchange during the Period.

REVIEW BY AUDIT COMMITTEE

The Group's unaudited interim financial results for the Period have been reviewed by the Audit Committee which comprises three independent non-executive Directors.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website (www.ir.crazysports.com) and Hong Kong Exchanges and Clearing Limited's website (www.hkexnews.hk). The interim report of the Company for the Period will be despatched to the Shareholders and will be made available on the aforesaid websites in due course.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there were no other significant events that may affect the Group since 30 June 2023 and up to the date of this announcement.

APPRECIATION

On behalf of the Board, I would like to express my wholehearted gratitude to customers, merchants and partners for their trust in the Group, as well as to all staff and management for their outstanding contributions, and to shareholders for their continuous support.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“AI”	artificial intelligence;
“AIGC”	artificial intelligence generated content;
“ARPG”	action role-playing game;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Audit Committee”	the audit committee of the Company;
“BOA”	Bank of Asia (BVI) Limited, a company incorporated under the laws of BVI with limited liability and holds a general banking license;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“CBSA”	Chinese Billiards and Snooker Association;
“Company”	Crazy Sports Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 82);
“CSL”	Chinese Football Association Super League;
“Director(s)”	the director(s) of the Company;
“FIFPro”	Fédération Internationale des Associations de Footballeurs Professionnels;
“Group”, “Crazy Sports” or “Crazy Sports Group”	the Company, together with its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“IP”	intellectual property;

“IPBU”	International Professional Boxing Unite;
“LaLiga”	LaLiga EA Sports;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MCN”	Mutli-channel network;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules;
“Period”	the period for the six months ended 30 June 2023;
“PRC”	the People’s Republic of China;
“PVP”	player versus player;
“R&D”	research and development;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

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

Hong Kong, 25 August 2023

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

Executive directors:

Dr. ZHANG Lijun (*Chairman*)

Mr. PENG Xitao

Ms. CHENG Po Chuen

Independent non-executive directors:

Mr. ZANG Dongli

Mr. ZHOU Jingping

Ms. LIU Haoming