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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 2023
AND
RESUMPTION OF TRADING**

HIGHLIGHTS OF ANNUAL RESULTS

	Year ended 31 December		Change
	2023	2022	
	RMB'000	RMB'000	
Revenue	2,098,220	2,300,875	-8.8%
Gross Profit	223,268	234,475	-4.8%
Profit/(loss) for the Year Attributable to			
Owners of the Parent	15,488	(129,537)	N/A
Adjusted EBITDA ⁽¹⁾	65,626	87,132	-24.7%
Adjusted Net Profit ⁽²⁾	32,506	48,420	-32.9%
	As at 31 December		Change
	2023	2022	
	RMB'000	RMB'000	
Total Assets	1,973,730	1,911,100	3.3%
Total Liabilities	568,754	538,276	5.7%
Total Equity	1,404,976	1,372,824	2.3%
Current Ratio ⁽³⁾	3.2	3.4	

Notes:

- (1) Adjusted EBITDA eliminates the effect of depreciation, amortisation, finance costs, income tax, impairment loss on goodwill and share-based payment expenses.
- (2) Adjusted net profit eliminates the effect of share-based payment expenses and impairment loss on goodwill.
- (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

References are made to the announcements of Wanka Online Inc. (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) dated 11 March 2024, 19 March 2024, 25 March 2024, 2 April 2024, 28 May 2024 and 3 June 2024 (the “**Announcements**”) in relation to, among others, the resignation of auditor, the delay in publication of annual results announcement for the year 31 December 2023 (“**2023 Annual Results**”), the delay in dispatch of the annual report for the year ended 31 December 2023 (“**2023 Annual Report**”), the date of board meeting, the appointment of auditor, the suspension of trading, notification of board meeting, date of 2023 annual general meeting, continued suspension of trading and positive profit alert.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce the consolidated results of the Group for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022, 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 2023

		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	4	2,098,220	2,300,875
Cost of sales	4	<u>(1,874,952)</u>	<u>(2,066,400)</u>
Gross profit		223,268	234,475
Other income and gains	5	17,153	42,718
Selling and distribution expenses		(25,751)	(19,372)
Research and development costs		(80,660)	(86,192)
Impairment loss on accounts receivable		(18,973)	(35,950)
Impairment loss on goodwill		(2,361)	(154,786)
Administrative expenses		(50,385)	(52,793)
Other expenses and losses		(5,976)	(5,328)
Share-based payment expenses		(8,149)	(22,192)
Finance costs	7	(10,009)	(7,696)
Share of loss in an associate		<u>(3,545)</u>	<u>(4,337)</u>
PROFIT/(LOSS) BEFORE TAX	6	34,612	(111,453)
Income tax expense	8	<u>(12,616)</u>	<u>(17,105)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>21,996</u>	<u>(128,558)</u>
PROFIT/(LOSS) FOR THE YEAR			
ATTRIBUTABLE TO:			
Owners of the parent		15,488	(129,537)
Non-controlling interest		<u>6,508</u>	<u>979</u>
		<u>21,996</u>	<u>(128,558)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE			
TO ORDINARY EQUITY HOLDERS OF			
THE PARENT (expressed in RMB per share)			
Basic	10	<u>RMB0.01</u>	<u>(RMB0.09)</u>
Diluted		<u>RMB0.01</u>	<u>(RMB0.09)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u>21,996</u>	<u>(128,558)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(3,582)</u>	<u>(12,967)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(3,582)</u>	<u>(12,967)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	<u>5,730</u>	<u>22,844</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>5,730</u>	<u>22,844</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>2,148</u>	<u>9,877</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>24,144</u>	<u>(118,681)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:		
Owners of the parent	<u>17,636</u>	<u>(119,660)</u>
Non-controlling interest	<u>6,508</u>	<u>979</u>
	<u>24,144</u>	<u>(118,681)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,642	2,065
Right-of-use assets		10,947	10,188
Goodwill		32,439	34,800
Other intangible assets		4,453	7,006
Interest in an associate		–	1,115
Deferred tax assets		13,717	12,135
Prepayments and other deposits		<u>114,983</u>	<u>58,165</u>
Total non-current assets		<u>178,181</u>	<u>125,474</u>
CURRENT ASSETS			
Accounts receivable	<i>11</i>	680,764	601,259
Prepayments, deposits and other receivables		579,886	571,816
Time deposits with original maturity over three months	<i>12</i>	2,651	12,637
Restricted bank deposits	<i>12</i>	10,374	61,690
Cash and cash equivalents	<i>12</i>	<u>521,874</u>	<u>538,224</u>
Total current assets		<u>1,795,549</u>	<u>1,785,626</u>
CURRENT LIABILITIES			
Accounts payable	<i>13</i>	34,381	52,959
Other payables and accruals		82,599	74,303
Contract liabilities		21,990	27,833
Interest-bearing bank borrowings	<i>14</i>	303,500	260,000
Lease liabilities		8,514	6,499
Income tax payable		<u>112,909</u>	<u>109,427</u>
Total current liabilities		<u>563,893</u>	<u>531,021</u>
NET CURRENT ASSETS		<u>1,231,656</u>	<u>1,254,605</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,409,837</u>	<u>1,380,079</u>
NON-CURRENT LIABILITIES			
Lease liabilities		3,763	5,820
Deferred tax liabilities		<u>1,098</u>	<u>1,435</u>
Total non-current liabilities		<u>4,861</u>	<u>7,255</u>
Net assets		<u><u>1,404,976</u></u>	<u><u>1,372,824</u></u>

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	1	1
Treasury shares	—*	—*
Other reserves	1,319,229	1,293,444
	1,319,230	1,293,445
Non-controlling interest	85,746	79,379
Total equity	1,404,976	1,372,824

* The amount is less than RMB1,000.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	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	Sub-total RMB '000	Non-controlling interest RMB '000	Total RMB '000
At 1 January 2022	1	-	1,809,951	9,532	62,319	26,001	(41,780)	(475,111)	1,390,913	-	1,390,913
Loss for the year	-	-	-	-	-	-	-	(129,537)	(129,537)	979	(128,558)
Other comprehensive income for the year:											
Exchange differences	-	-	-	-	-	-	9,877	-	9,877	-	9,877
Total comprehensive loss for the year	-	-	-	-	-	-	9,877	(129,537)	(119,660)	979	(118,681)
Issue of shares for restricted share units ^{^^^}	-	-	-	-	-	-	-	-	-	-	-
Capital injection from the non-controlling interest	-	-	-	-	-	-	-	-	-	78,400	78,400
Vested restricted share units transferred to employee	-	-	18,158	-	(18,158)	-	-	-	-	-	-
Equity-settled share option arrangements	-	-	-	-	22,192	-	-	-	22,192	-	22,192
At 31 December 2022	1	-	1,828,109	9,532	66,353	26,001	(31,903)	(604,648)	1,293,445	79,379	1,372,824

The amount is less than RMB1,000.

* These reserve accounts comprise the consolidated other reserves of RMB1,293,444,000 (2021: RMB1,390,912,000) in the consolidated statement of financial position.

^^^ On 10 May 2022, 40,080,000 new shares of US\$0.0000002 (equivalent to approximately RMB0.00000013) 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 28 April 2022 and 10 May 2022.

FOR THE YEAR ENDED 31 DECEMBER 2023

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	Sub-total RMB'000	Non-controlling interest RMB'000	Total RMB'000
At 1 January 2023	1	-	1,828,109	9,532	66,353	26,001	(31,903)	(604,648)	1,293,445	79,379	1,372,824
Profit for the year	-	-	-	-	-	-	-	15,488	15,488	6,508	21,996
Other comprehensive income for the year:											
Exchange differences	-	-	-	-	-	-	2,148	-	2,148	-	2,148
Total comprehensive loss for the year	-	-	-	-	-	-	2,148	15,488	17,636	6,508	24,144
Dividend paid to the non-controlling interest	-	-	-	-	-	-	-	-	-	(141)	(141)
Vested restricted share units transferred to employee	-	-	18,070	-	(18,070)	-	-	-	-	-	-
Equity-settled share option arrangements	-	-	-	-	8,149	-	-	-	8,149	-	8,149
At 31 December 2023	1	-	1,846,179	9,532	56,432	26,001	(29,755)	(589,160)	1,319,230	85,746	1,404,976

The amount is less than RMB1,000.

* These reserve accounts comprise the consolidated other reserves of RMB1,319,229,000 (2022: RMB1,293,444,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	34,612	(111,453)
Adjustments for:		
Foreign exchange gain, net	–	(2)
Finance costs	10,009	7,696
Bank interest income	(1,714)	(1,045)
Impairment loss on accounts receivable	18,973	35,950
Depreciation of property, plant and equipment	855	356
Depreciation of right-of-use assets	7,087	6,326
Amortisation of intangible assets	2,553	7,229
Gain on derecognition of lease	–	(22)
Share of loss in an associate	3,545	4,337
Impairment loss on goodwill	2,361	154,786
Derecognition of accounts payable	–	(20,965)
Share-based payment expenses	8,149	22,192
	86,430	105,385
Increase in accounts receivable	(98,478)	(36,458)
Increase in prepayments, deposits and other receivables	(8,070)	(21,565)
Increase in long-term prepayments and other deposits	(19,837)	(15,490)
Decrease in accounts payable	(18,578)	(31,073)
Decrease in contract liabilities	(5,843)	(2,011)
Increase in other payables and accruals	8,401	21,235
Cash (used in)/generated from operations	(55,975)	20,023
Interest received	1,714	410
Income tax paid	(11,053)	(11,065)
Net cash flows (used in)/from operating activities	(65,314)	9,368

	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Prepayment for acquisition of subsidiaries	(25,131)	(2,584)
Prepayment for acquisition of equity investment	(11,850)	–
Proceeds from disposal of property, plant and equipment	1	7
Purchase of items of property, plant and equipment	(430)	(750)
Decrease/(increase) in time deposits with original maturity over three months	9,986	(12,637)
Capital injection into an associate	(2,430)	(3,430)
	<hr/>	<hr/>
Net cash flows used in investing activities	(29,854)	(19,394)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bank loans	443,520	350,353
Repayment of bank loans	(400,020)	(262,000)
Principal portion of lease payments	(7,891)	(3,559)
Capital injection from the non-controlling interest	–	78,400
Interest paid on bank borrowings	(9,043)	(7,187)
Interest paid on lease liabilities	(1,071)	(827)
Dividend paid	(141)	–
Decrease/(increase) of restricted bank deposits	51,316	(17,909)
	<hr/>	<hr/>
Net cash flows from financing activities	76,670	137,271
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(18,498)	127,245
Cash and cash equivalents at beginning of year	538,224	401,102
Net foreign exchange difference	2,148	9,877
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>521,874</u>	<u>538,224</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	521,874	538,224
	<hr/>	<hr/>
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows	<u>521,874</u>	<u>538,224</u>

NOTES

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

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

In the opinion of the directors, the ultimate controlling party of the Group is Wanka Media Limited, a company wholly owned by Mr. GAO Dinan.

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) New and amended HKFRSs that are effective for annual periods beginning on or after January 2023

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are relevant to the Group’s operations and effective for the consolidated financial statements for the annual period beginning on 1 January 2023:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 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
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the above new and amendments to HKFRSs in the current year had no material effect on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

2.2 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(b) Revised HKFRSs that are issued but not yet effective

At the date of authorisation of the consolidated financial statements, the following amended standards have been published but are not yet effective, and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Directors anticipate that all of the applicable pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The amended HKFRSs and interpretation are not expected to have a material impact on the Group in the foreseeable future transactions.

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. SEGMENT INFORMATION

The segment revenue for the years ended 31 December 2023 and 2022 is as follows:

	2023 RMB'000	2022 <i>RMB'000</i>
Type of goods or services:		
Mobile advertising services income	1,997,751	2,196,736
Online-video distribution services income	56,583	84,525
Game co-publishing services income	4,314	5,512
Software maintenance services income	39,572	14,102
	<hr/> 2,098,220 <hr/>	<hr/> 2,300,875 <hr/>
Total revenue form contracts with customers		
Timing of revenue recognition:		
Services transferred at a point in time	56,583	84,957
Services transferred over time	2,041,637	2,215,918
	<hr/> 2,098,220 <hr/>	<hr/> 2,300,875 <hr/>
Total revenue from contracts with customers		

The segment results for the years ended 31 December 2023 and 2022 are as follows:

For the year ended 31 December 2023

	Mobile advertising services RMB'000	Online-video distribution services RMB'000	Game co-publishing services RMB'000	Software maintenance services RMB'000	Total RMB'000
Segment revenue	1,997,751	56,583	4,314	39,572	2,098,220
Segment cost of sales	(1,804,741)	(39,024)	–	(31,187)	(1,874,952)
	<hr/> 193,010 <hr/>	<hr/> 17,559 <hr/>	<hr/> 4,314 <hr/>	<hr/> 8,385 <hr/>	<hr/> 223,268 <hr/>
Segment results					

For the year ended 31 December 2022

	Mobile advertising services RMB'000	Online-video distribution services RMB'000	Game co-publishing services RMB'000	Software maintenance services RMB'000	Total RMB'000
Segment revenue	2,196,736	84,525	5,512	14,102	2,300,875
Segment cost of sales	(1,989,716)	(64,425)	–	(12,259)	(2,066,400)
	<hr/> 207,020 <hr/>	<hr/> 20,100 <hr/>	<hr/> 5,512 <hr/>	<hr/> 1,843 <hr/>	<hr/> 234,475 <hr/>
Segment results					

The Group had no major customers which contributed more than 10% of the total revenue for the years ended 31 December 2023 and 2022.

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

As at 31 December 2023 and 2022, 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:

	2023 RMB'000	2022 <i>RMB'000</i>
Other income from contracts with customers, within the scope of HKFRS 15:		
Conference service income, net (<i>Note (a)</i>)	<u>5,880</u>	<u>4,935</u>
Bank interest income	1,714	1,045
Government grants (<i>Note (b)</i>)	722	334
Foreign exchange gain, net	–	2
Additional deduction for value added tax (<i>Note (b)</i>)	8,562	14,118
Derecognition of accounts payable (<i>Note (c)</i>)	–	20,965
Others	<u>275</u>	<u>1,319</u>
	<u>11,273</u>	<u>37,783</u>
	<u>17,153</u>	<u>42,718</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 2023, the government grants include subsidies from the local government in relation to the employment support scheme of approximately RMB722,000 (2022: RMB334,000) and the additional deduction of value added tax from the PRC government of RMB8,562,000 (2022: RMB14,118,000).
- (c) During the year ended 31 December 2022, the Group derecognised an amount of approximately RMB20,965,000 of accounts payable after it was determined that the Group had no obligation to pay counter party in accordance with the issued court order.

6. PROFIT/(LOSS) BEFORE TAX

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

	<i>Note</i>	2023 RMB'000	2022 RMB'000
Cost of services		1,874,952	2,066,400
– Advertising publishers' platform or website		1,797,851	1,984,792
– Video content provider		37,465	57,699
– Maintenance support		24,268	6,543
Depreciation and amortisation		10,492	13,911
Auditor's remuneration		1,800	2,100
Lease payments not included in the measurement of lease liabilities		351	252
Employee benefit expenses (excluding directors' and chief executive's remuneration)^:			
Wages and salaries		66,858	60,535
Pension scheme contributions^^		6,918	5,869
Share-based payment expenses		8,149	22,192
		81,925	88,596

^ Employee benefit expenses excluding share-based payment expenses amounting to RMB538,000, RMB27,495,000, RMB24,406,000 and RMB14,419,000 are included in "Cost of sales", "Selling and distribution expenses", "Research and development costs" and "Administrative expenses" respectively in the consolidated statement of profit or loss.

^^ At 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes of future years (2022: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 <i>RMB'000</i>
Interest on bank borrowings	8,938	6,869
Interest on lease liabilities	1,071	827
	10,009	7,696

8. INCOME TAX EXPENSE

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

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2023 and 2022. The income tax expense of the Group for the years ended 31 December 2023 and 2022 comprised current tax expense related to the Group's operations in Mainland China and deferred tax expense or income.

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 (2022: four) PRC subsidiaries, which are entitled to preferential tax treatment of 15% for three years as they are qualified as "new high technology enterprise ("HNTE")".

Huanju Times Culture Media (Beijing) Co., Ltd ("歡聚時代文化傳媒(北京)有限公司") has obtained the certificate of HNTE with effective from 2 November 2022, and was registered with the local tax authority to be eligible for a concessionary tax rate of 15% for three years from 2022 to 2024.

Wanka Huanju Culture Media (Beijing) Co., Ltd. ("玩咖歡聚文化傳媒(北京)有限公司") has obtained the certificate of HNTE with effective from 30 November 2023, and was registered with the local tax authority to be eligible for a concessionary tax rate of 15% for three years from 2023 to 2025.

Zhonghe Channels Management Co., Ltd ("中和渠道管理有限公司") has obtained the certificate of HNTE with effective from 14 September 2021, and was registered with the local tax authority to be eligible for a concessionary tax rate of 15% for three years from 2021 to 2023.

Hui Times Information Technology Service (Jilin) Co., Ltd ("惠時代信息技術服務(吉林)有限公司") has obtained the certificate of HNTE with effective from 29 December 2022, and was registered with the local tax authority to be eligible for a concessionary tax rate of 15% for three years from 2022 to 2024.

	2023 RMB'000	2022 <i>RMB'000</i>
Current – Mainland China		
Charge for the year	14,535	21,392
Deferred tax credit	(1,919)	(4,287)
Total tax charge for the year	12,616	17,105

9. DIVIDEND

No dividend have been paid or declared by the Company during the year ended 31 December 2023 (2022: Nil).

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,491,991,021 (2022: 1,464,677,000) in issue excluding the treasury shares during the year.

Diluted earnings/(loss) 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/(loss) per share are based on:

	2023
Profit/(loss) for the year attributable to owners of the parent used in the basic and diluted earnings per share calculation (RMB'000)	15,488
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,491,991,021
Effect of dilution – weighted average number of ordinary shares:	
Restricted share units	<u>33,752,329</u>
	<u>1,525,743,350</u>

For the year ended 31 December 2022, the unvested restricted share units had an anti-dilutive effect on the basic loss per share and were ignored in the calculation of diluted loss per share.

11. ACCOUNTS RECEIVABLE

	2023	2022
	RMB'000	RMB'000
Accounts receivable	737,633	650,982
Loss allowance	<u>(56,869)</u>	<u>(49,723)</u>
Total	<u>680,764</u>	<u>601,259</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, game co-publishing services and software maintenance services, the credit period generally ranges from three months to six months for major customers. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balance is reviewed regularly by the management. The Group does not hold any collateral and 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:

	2023	2022
	RMB'000	RMB'000
Within 3 months	492,772	344,049
3 to 12 months	180,783	245,806
1 to 2 years	<u>7,209</u>	<u>11,404</u>
	<u>680,764</u>	<u>601,259</u>

11. ACCOUNTS RECEIVABLE (Continued)

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At beginning of year	49,723	38,319
Receivable written off during the year as uncollectible	(11,827)	(24,546)
Impairment losses	18,973	35,950
	<u>56,869</u>	<u>49,723</u>

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cash and bank balances	534,899	612,551
Less: Restricted bank deposits:		
Pledged for bank loans (<i>Note 14</i>)	(10,374)	(61,690)
Time deposits with original maturity over three months	(2,651)	(12,637)
	<u>(13,025)</u>	<u>(74,327)</u>
Cash and cash equivalents	<u>521,874</u>	<u>538,224</u>
Denominated in:		
– RMB	514,808	501,437
– USD	1,753	28,079
– HKD	5,313	8,708
	<u>521,874</u>	<u>538,224</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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	20,384	42,501
1 to 2 years	4,706	2,599
More than 2 years	9,291	7,859
	34,381	52,959

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 2023 and 2022 are as follows:

	As at 31 December 2023		
	Effective contractual interest rate (%)	Maturity	<i>RMB'000</i>
Current			
Bank loans – secured	1.500-3.050	2024	30,000
– unsecured	2.810-4.150	2024	273,500
			303,500
			260,000
			303,500

	As at 31 December 2022		
	Effective contractual interest rate (%)	Maturity	<i>RMB'000</i>
Current			
Bank loans – secured	1.500-3.000	2023	71,000
– unsecured	3.650-4.350	2023	189,000
			260,000
			260,000

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Analysed into:		
Bank loans repayable:		
Within one year or on demand	303,500	260,000

14. INTEREST-BEARING BANK BORROWINGS (Continued)

Notes:

- (a) As at 31 December 2023, the Group's bank loans of
- (i) RMB30,000,000 was secured by pledged deposits of RMB12,374,000 provided by two subsidiaries of the Company, namely, Wanka Holdings Limited (“**Wanka Holdings**”) and Huanju Times Culture Media (Beijing) Co., Ltd. (“**Huanju Times**”);
 - (ii) RMB104,500,000 was guaranteed by Mr. GAO Dinan (“**Mr. Gao**”) (Mr. Gao is an executive director of the Company) and a subsidiary of the Company, Wanka Huanju Culture Media (Beijing) Co., Ltd. (“**Wanka Huanju**”);
 - (iii) RMB18,000,000 was guaranteed by Mr. Gao;
 - (iv) RMB90,000,000 was guaranteed by Mr. Gao and the Company;
 - (v) RMB23,000,000 was guaranteed by Mr. Gao and a subsidiary of the Company, Huanju Times;
 - (vi) RMB40,000,000 was guaranteed by a subsidiary of the Company, Huanju Times; and
 - (vii) RMB10,000,000 was guaranteed by Mr. Gao and two subsidiaries of the Company, namely, Huanju Times and Suzhou Longying Software Development Co., Ltd..
- (b) As at 31 December 2022, the Group's bank loans of
- (i) RMB71,000,000 was secured by pledged deposits of RMB61,690,000 provided by three subsidiaries of the Company, namely, Wanka Holdings, Wanka Huanju and Beijing ChiLe Information Technology Co., Ltd.;
 - (ii) RMB80,000,000 was guaranteed by Mr. Gao and a subsidiary of the Company, Wanka Huanju;
 - (iii) RMB5,000,000 was guaranteed by Mr. Gao;
 - (iv) RMB40,000,000 was guaranteed by Mr. Gao and the Company;
 - (v) RMB15,000,000 was guaranteed by Mr. Gao and a subsidiary of the Company, Huanju Times; and
 - (vi) RMB60,000,000 was guaranteed by Mr. Gao and the Company, in relation to which the Group has failed to fulfill certain financial covenants as stated in the relevant loan agreement during the year ended 31 December 2022 and, on 26 June 2023, the Group had obtained the relevant waiver for strict compliance on the relevant financial covenant requirements.

15. 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 2023, our business has covered all the mainstream operating system ecosystems of smartphones. In addition to our close cooperation with members of the MHA and Quick App Alliance, we have established a global strategic partnership with Apple, enabling us to provide mobile distribution services both at home and abroad based on the iOS operating system ecosystem. We have also entered into an exclusive business cooperation for game distribution with Honor, and Honor officially joined the MHA in 2024. In addition, we have initiated multiple collaborations with iQiyi in the field of video, becoming its core service provider. We continue to deeply penetrate the fields where we have keen insight, especially in the field of mobile game distribution, where we are the only player deeply and simultaneously engaging in partnerships with top-tier smartphone manufacturers such as Huawei, Xiaomi, OPPO, vivo, Honor and Apple. With the experience and data accumulated in various operating system ecosystems and marketing channels, as well as our understanding of the development of the mobile distribution industry, we continue to iterate and update the technology to improve advertising effectiveness and create value for our customers and business partners. In 2023, the revenue generated from our mobile advertising services amounted to RMB1,997.8 million, representing a decrease of 9.1% compared to the previous year. Although the industry's recovery was relatively slow by the middle of 2023, resulting in a certain decline in our revenue, our business layout has become more comprehensive and stable. These efforts have brought about a more positive impact on our sustainable development.

We are committed to maintaining efficient communication channels with our ecosystem participants to foster collaboration and mutual benefits, and provide them with a one-stop service experience across the entire value chain, full lifecycle and global landscape. In order to provide quality services to our partners and ecosystem participants from various industries, and to assist potential participants in accelerating digital transformation and enhancing ecosystem experience and community operation quality, we organised hundreds of industry seminars and exchanges in 2023 in collaboration with members of MHA, the ecosystem branch of Quick App and Intelligent Terminal Golden Seal Alliance, and maintained ongoing communication with diverse ecosystem participants to gather their valuable insights and address their challenges. We also boosted high-quality mobile games and applications through various policies and traffic support initiatives.

Our collaboration in the Internet-of-Vehicles (IoV) business has provided us with extensive experience in the Internet of Things (IoT) and various forms of smart devices. In 2023, Wanxin Chelian Technology (Shenzhen) Co., Ltd., an associated company of our Group, established an in-depth cooperation with renowned automobile manufacturers such as Changan, GWM, Leapmotor, Voyah and FAW Pentium, etc., evidenced by the execution of contracts for a total of 3 million units of intelligent connected vehicles, covering more than 90 applications, including vehicle management and maintenance functions, as well as regular entertainment and news services. We provide developers with in-vehicle light application software access standards to facilitate efficient access to in-vehicle software and enable accelerated connection, data exchange and service sharing. Building upon our experience in the IoV, we explore diverse new application scenarios on different smart devices. The alliances have established 16 working groups, providing more targeted services in different fields to meet the diverse needs of various industries in the mobile internet landscape. This paves a new path for the expansion of mobile distribution and Quick App functions.

BUSINESS OUTLOOK

In the coming year, we will leverage our accumulated resources and experience to position ourselves as a leading provider of ecosystem services and precision internet marketing services, and fully capitalise on the distinct advantages of various distribution channels. While continuing to deeply cultivate the Android ecosystem, we will enhance our global expansion efforts for the Apple's iOS ecosystem and fully seize the opportunities brought by the groundbreaking development of Huawei's HarmonyOS. We will deepen our comprehensive cooperation with Huawei to provide our partners with comprehensive and high-quality mobile internet ecosystem services. We will continue to focus on our areas of strength, further increase our market share, and put emphasis on the construction of our own ecosystem operations. Amid digital transformation and pervasive artificial intelligence (AI), we will continue to strengthen our AI placement technologies, keep a close watch on the latest development on industry technology, and further deepen our technological innovation and service models to better adapt to market changes and customer needs, providing more superior, convenient and secure solutions, thereby reinforcing our leading position in the industry. We will actively expand our overseas business, steadfastly supporting the global expansion of Chinese games. We will continue to work closely with all alliance members and partners, continuously hosting numerous technical development conferences and industry discussion summits to further enhance the role and influence of the alliance in the industry. Together, we will improve and strengthen the community ecosystem to better meet the needs of ecosystem participants, create more value, and support the healthy development of the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues

Our revenues from mobile advertising services decreased by 9.1% from RMB2,196.7 million in 2022 to RMB1,997.8 million in 2023, due to the decrease in the number of mobile games we advertised during 2023.

In addition, we generated revenues from our online-video distribution services and game co-publishing services of RMB56.6 million (2022: RMB84.5 million) and RMB4.3 million (2022: RMB5.5 million) in 2023, respectively.

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

	Year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>% of total revenues</i>	<i>RMB'000</i>	<i>% of total revenues</i>
Revenues				
Mobile advertising	1,997,751	95.2%	2,196,736	95.5%
Online-video distribution	56,583	2.7%	84,525	3.7%
Game co-publishing	4,314	0.2%	5,512	0.2%
Others*	39,572	1.9%	14,102	0.6%
Total	2,098,220	100%	2,300,875	100%

* Includes revenue from software maintenance services

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:

	Year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>% of total revenues</i>	<i>RMB'000</i>	<i>% of total revenues</i>
Mobile game distribution	1,976,573	98.9%	2,169,988	98.8%
Mobile app distribution	21,178	1.1%	26,748	1.2%
Total	<u>1,997,751</u>	<u>100%</u>	<u>2,196,736</u>	<u>100%</u>

Our mobile advertising revenue generated from distribution of mobile games decreased from RMB2,170.0 million in 2022 to RMB1,976.6 million in 2023, representing a decrease of RMB193.4 million, or 8.9% from 2022. The decrease was primarily due to the reduced advertisement spending of our mobile game advertisers during 2023. Our mobile advertising revenue from mobile app distribution decreased from RMB26.7 million in 2022 to RMB21.2 million in 2023, representing a decrease of RMB5.5 million, or 20.6% from 2022, primarily due to the decrease in the number of mobile apps we marketed during 2023.

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 RMB56.6 million for this business line in 2023, representing a decrease of RMB27.9 million, or 33.0% from 2022. The videos we distributed are mainly in the areas of finance, entertainment and movies.

Game Co-publishing Services

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

Our revenues from game co-publishing services decreased by 21.8% from RMB5.5 million in 2022 to RMB4.3 million in 2023. As at 31 December 2023, we had co-published 55 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 decreased by 9.3% from RMB2,066.4 million in 2022 to RMB1,875.0 million in 2023. This decrease was primarily driven by the decrease in distribution fees to our distribution channels, which was in line with the decrease in our revenues during 2023.

Gross Profit and Margins

As a result of the foregoing, our gross profit decreased by 4.8% from RMB234.5 million in 2022 to RMB223.3 million in 2023. The decrease in gross profit was primarily due to the decrease in the transaction volume on our platform across all segments during 2023.

The increase in gross profit margin from 10.2% in 2022 to 10.6% in 2023 was primarily due to the decrease of amortisation expenses associated with our acquired intangible assets and the higher gross profit margin contribution from our software maintenance services.

Other Income and Gains

Other income and gains decreased from RMB42.7 million in 2022 to RMB17.2 million in 2023, primarily due to the derecognition of accounts payable occurred in 2022 and the decrease in additional deduction of input value-added tax arising from preferential tax treatment we recognised in 2023.

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 increased by 33.0% from RMB19.4 million in 2022 to RMB25.8 million in 2023, which was mainly attributable to the increase in marketing and advertising expenses.

Research and Development Costs

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 6.4% from RMB86.2 million in 2022 to RMB80.7 million in 2023, primarily due to the decrease in research expenses of our systems.

Impairment Loss on Accounts Receivable

We had impairment loss on accounts receivable of approximately RMB19.0 million in 2023, primarily as a result of the general and specific provision for credit loss from our accounts receivable.

Impairment Loss on Goodwill

The goodwill was related to our acquisition of Shanghai Chile Information Technology Co., Ltd. (“**Shanghai ChiLe**”) in 2018. In consideration of the unforeseen business environment of our online-video distribution services segment in the near future, we made an additional impairment provision of goodwill directly related to Shanghai ChiLe of approximately RMB2.4 million in 2023, compared to RMB154.8 million in 2022.

Administrative Expenses

Our administrative expenses decreased by 4.5% from RMB52.8 million in 2022 to RMB50.4 million in 2023, which was mainly attributable to the decrease in professional service expenses.

Other Expenses and Losses

Other expenses and losses increased from RMB5.3 million in 2022 to RMB6.0 million in 2023, primarily due to the increase in staff-related settlement expenses incurred.

Share-based Payment Expenses

Our share-based payment expense decreased from RMB22.2 million in 2022 to RMB8.1 million in 2023, 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 2022.

Finance Costs

Our finance costs increased from RMB7.7 million in 2022 to RMB10.0 million in 2023, primarily due to the increase of our bank borrowings.

Share of Loss in an Associate

We recorded share of loss in an associate of approximately RMB3.5 million in 2023, which mainly represented our share of loss from an equity investment in Wanxin Chelian Technology (Shenzhen) Co., Ltd., an associated company of our Group.

Income Tax Expense

Our income tax expense decreased from RMB17.1 million in 2022 to RMB12.6 million in 2023. The decrease was primarily attributable to the decrease in taxable profit of our subsidiaries in China.

Profit/(loss) for the Year

As a result of the reasons discussed above, profit for the year was RMB22.0 million in 2023, compared to loss for the year of RMB128.6 million in 2022.

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/loss for the year without considering depreciation, amortisation, finance cost, income tax, impairment loss on goodwill and share-based payment expenses (“**Adjusted EBITDA**”). We define adjusted net profit as profit/loss for the year without considering share-based payment expenses and impairment loss on goodwill (“**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/loss 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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the year	21,996	(128,558)
Add:		
Depreciation	7,942	6,682
Amortisation of intangible assets	2,553	7,229
Finance cost	10,009	7,696
Income tax expense	12,616	17,105
Share-based payment expenses	8,149	22,192
Impairment loss on goodwill	2,361	154,786
	<hr/>	<hr/>
Adjusted EBITDA (unaudited)	<u>65,626</u>	<u>87,132</u>
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the year	21,996	(128,558)
Add:		
Share-based payment expenses	8,149	22,192
Impairment loss on goodwill	2,361	154,786
	<hr/>	<hr/>
Adjusted Net Profit (unaudited)	<u>32,506</u>	<u>48,420</u>

Selected Financial Information from Our Consolidated Statement of Financial Position

	As at 31 December		Change
	2023	2022	
	<i>RMB'000</i>	<i>RMB'000</i>	
Cash and bank balances	534,899	612,551	-12.7%
Bank borrowings	303,500	260,000	16.7%
Current assets	1,795,549	1,785,626	0.6%
Current liabilities	563,893	531,021	6.2%
Net current assets	1,231,656	1,254,605	-1.8%
Total equity	<u>1,404,976</u>	<u>1,372,824</u>	2.3%

Cash and Bank Balances

As at 31 December 2023, we had cash and bank balances of RMB534.9 million, as compared with RMB612.6 million as at 31 December 2022. The decrease in cash and bank balances was mainly due to the increase in accounts receivable near the end of year under review and the increase in purchase of prepaid data traffic. Our cash and bank balances were denominated in Renminbi, Hong Kong dollars and US dollars.

Bank Borrowings

Our bank borrowings as at 31 December 2022 amounted to RMB260.0 million, among which, (1) the bank borrowings of RMB71.0 million were secured by pledged deposits of RMB61.7 million provided by three of our subsidiaries, (2) the bank borrowings of RMB95.0 million were guaranteed by two of our subsidiaries, (3) the bank borrowings of RMB100.0 million were guaranteed by our Company and (4) the bank borrowings of RMB200.0 million were guaranteed by Mr. GAO Dinan, an executive Director of the Company (“**Mr. Gao**”).

As at 31 December 2023, our bank borrowings increased to RMB303.5 million, among which, (1) the bank borrowings of RMB30.0 million were secured by pledged deposits of RMB12.4 million provided by two of our subsidiaries, (2) the bank borrowings of RMB177.5 million were guaranteed by three of our subsidiaries, (3) the bank borrowings of RMB90.0 million were guaranteed by our Company and (4) the bank borrowings of RMB245.5 million were guaranteed by Mr. Gao. All the bank borrowings as at 31 December 2023 were denominated in Renminbi and will mature within one year, with fixed interest rates ranging from 1.500% to 4.150% per annum. The increase in bank borrowings was primarily due to the increase in external loans used for our business expansion.

Net Current Assets

Our net current assets were RMB1,231.7 million as at 31 December 2023, compared to RMB1,254.6 million as at 31 December 2022. Our current assets were RMB1,795.5 million as at 31 December 2023, compared to RMB1,785.6 million as at 31 December 2022, primarily due to the increase in accounts receivable from our mobile advertising business, partly offset by the decrease in cash and bank balance. Our prepayments, deposits and other receivables were RMB579.9 million as at 31 December 2023, compared to RMB571.8 million as at 31 December 2022, which was mainly attributable to the increase in purchase of prepaid data traffic for the Group’s business development needs. Our current liabilities were RMB563.9 million as at 31 December 2023, compared to RMB531.0 million as at 31 December 2022, primarily due to the increase in interest-bearing bank borrowings and other payables and accruals, partly offset by the decrease in accounts payable.

Total Equity

As at 31 December 2023, our total equity was RMB1,405.0 million, compared to RMB1,372.8 million as at 31 December 2022, mainly due to the net profit incurred during 2023.

Key Financial Ratios

	As at 31 December	
	2023	2022
Current ratio (times) ⁽¹⁾	3.2	3.4
Gearing ratio (%) ⁽²⁾	<u>28.8</u>	<u>28.2</u>
	Year ended 31 December	
	2023	2022
Adjusted net profit margin ⁽³⁾	<u>1.5%</u>	<u>2.1%</u>

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 decreased from 3.4 as at 31 December 2022 to 3.2 as at 31 December 2023, primarily due to the increase in current liabilities resulting from the increase in interest-bearing bank borrowings and other payables and accruals.

Gearing Ratio

Our gearing ratio increased from 28.2% as at 31 December 2022 to 28.8% as at 31 December 2023, mainly due to the increase in total liabilities.

Adjusted Net Profit Margin

Our adjusted net profit margin decreased from 2.1% in 2022 to 1.5% in 2023, primarily due to the decrease in gross profit and other income and gains.

Capital Expenditure and Investments

Our capital expenditures mainly consist of additions to property, plant and equipment and intangible assets. Our capital expenditures amounted to RMB430,000 and RMB750,000 in 2023 and 2022, 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

The 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 the 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 year ended 31 December 2023.

Future Plans for Material Investment and Capital Assets

Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals of subsidiaries, associated companies and joint ventures in 2023.

Significant Investments

The Group had no significant investments for the year ended 31 December 2023.

Pledge on Assets

Certain deposits placed with banks were used as pledged assets for the Group's bank borrowings. For more details, please refer to note 12 to the consolidated financial information in this announcement.

Contingent Liabilities

As at 31 December 2023, we did not have any material contingent liabilities (2022: nil).

Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: 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 2023.

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 2023, the Company has complied with all applicable code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the 2023 Annual Report.

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 C3 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 2023.

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 Mr. YU Limin, all of whom 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 2023. 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 2023.

Scope of Work of the Auditor

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, 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 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, Elite Partners CPA Limited (“**Elite Partners**”), to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Elite Partners 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 Elite Partners 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 2023, the Group had utilized the proceeds as set out in the table below:

	Net proceeds from the IPO		Utilization up to 31 December 2023		Utilization during the Reporting Period		Unutilized proceeds		Expected timeline for the use of unutilized Proceeds
	HK\$’ million	RMB million	HK\$’ million	RMB million	HK\$’ million	RMB million	HK\$’ million	RMB million	
Strengthening research and development capabilities	58.4	51.4	58.4	51.4	-	-	-	-	-
Promoting the development standard of Quick Apps	58.4	51.4	58.4	51.4	5.2	4.6	-	-	-
Expanding service offerings and strengthening ecosystem	29.2	25.7	29.2	25.7	-	-	-	-	-
Expanding monetization channels and strengthening sales and marketing capabilities	29.2	25.7	29.2	25.7	-	-	-	-	-
Working capital and general corporate uses	19.5	17.0	19.5	17.0	-	-	-	-	-
Total	194.7	171.2	194.7	171.2	5.2	4.6	-	-	

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 2023, the Group had utilized the proceeds as set out in the table below:

	Net proceeds from the Placing		Utilization up to 31 December 2023		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>	
Further develop the Group's existing business lines	113.4	94.7	113.4	94.7	29.8	24.9	-	-	-
Enhance the Group's digital infrastructure and for research and development of new internet and technological solutions	56.7	47.3	56.7	47.3	29.5	24.6	-	-	-
General working capital uses	18.9	15.8	18.9	15.8	5.4	4.5	-	-	-
Total	189.0	157.8	189.0	157.8	64.7	54.0	-	-	

Annual General Meeting (“AGM”)

The AGM will be held on 24 July 2024, Wednesday. 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 19 July 2024, Friday to 24 July 2024, Wednesday, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 18 July 2024, Thursday.

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

Moore CPA Limited resigned as auditor of the Company with effect from 11 March 2024. On 25 March 2024, Elite Partners was appointed as auditor of the Company to fill the casual vacancy following the resignation of Moore CPA Limited and to hold office until the conclusion of the next annual general meeting of the Company. For further details, please refer to the announcements of the Company dated 11 March 2024 and 25 March 2024.

Save as disclosed above, there were no significant events that might affect the Group subsequent to the year ended 31 December 2023 and up to the date of this announcement.

Publication of 2023 Annual Results and 2023 Annual Report of the Company

This annual results announcement of the Company is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.wankaonline.com). The 2023 Annual Report 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 all employees. It is because of your dedication, proactive work attitude and spirit that the Company has been able to maintain steady growth. We also greatly appreciate our partners, Shareholders and other stakeholders for their trust and support over the years. We will continue to focus on the areas where we have keen insight and enhance our professional capabilities in order to provide better services to the participants in the mobile internet ecosystem and make greater contributions to the construction and stable development of the industry ecosystem.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 April 2024, Tuesday. Application has been made by the Company to the Stock Exchange for the resumption of the trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 11 June 2024, Tuesday.

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

Hong Kong, 7 June 2024

As at the date of this announcement, the board of directors of the Company comprises Mr. GAO Dinan, Mr. NIE Xin, Ms. JIANG Yu and Mr. YU Dingyi as executive Directors; and Mr. CHEN Baoguo, Mr. JIN Yongsheng and Mr. YU Limin as independent non-executive Directors.