
**APPENDIX A – INDEPENDENT AUDITOR’S REPORT AND
THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE
FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021
and 2022**

WINKING STUDIOS LIMITED

(Incorporated and domiciled in Cayman Islands with limited liability No.159882)

AND ITS SUBSIDIARIES

**APPENDIX A – INDEPENDENT AUDITOR’S REPORT AND
THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR
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The Board of Directors

Winking Studios Limited
P.O. Box 31119 Grand Pavilion, Hibiscus Way,
802 West Bay Road, Grand Cayman,
KY1-1205, Cayman Islands

Report on Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Winking Studios Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages A-5 to A-74, which comprise the consolidated statements of financial position as at 31 December 2020, 2021 and 2022, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the financial years ended 31 December 2020, 2021 and 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group are properly drawn up in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)s”) so as to give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 2021 and 2022, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for each of the financial years ended 31 December 2020, 2021 and 2022.

Basis for Opinion

We conducted our audits in accordance with Singapore Standards on Auditing (“SSAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (“ACRA”) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (“ACRA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Responsibilities of Management and Directors for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors’ responsibilities include overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements
(continued)

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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

Restriction on distribution and use

This report is made solely to you as a body for the inclusion in the Offer Document of the Company to be issued in relation to the proposed offering of the shares of the Company in connection with the Company’s listing on the Catalist of the Singapore Exchange Securities Trading Limited.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore

Partner-in-charge: Alex Toh Wee Keong
8 November 2023

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WINKING STUDIOS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the financial years ended 31 December 2020, 2021 and 2022

(All amounts in US Dollar unless otherwise stated)

	Note	Years ended 31 December		
		2020 USD’\$000	2021 USD’\$000	2022 USD’\$000
Revenue from contracts with customers	4	14,486	23,691	24,498
Cost of sales	7	(8,892)	(15,957)	(18,050)
Gross profit		5,594	7,734	6,448
Other income	5	267	158	146
Other losses – net	6	(100)	(319)	(120)
Distribution and marketing	7	(546)	(821)	(1,013)
Administrative expenses	7	(3,029)	(3,712)	(4,603)
Expected credit gains/(losses)	23	17	(20)	(32)
Interest income		6	7	9
Finance expenses	9	(19)	(26)	(60)
		(3,404)	(4,733)	(5,673)
Profit before income tax		2,190	3,001	775
Income tax (expense)/credit	10(a)	(11)	150	262
Profit for the years		2,179	3,151	1,037
Other comprehensive income(loss): <i>Items that may be reclassified subsequently to profit or loss:</i>				
Currency translation gains/(losses) arising from consolidation		303	296	(909)
Total comprehensive income for the financial years		2,482	3,447	128
Profit for the years attributable to:				
– Equity holders of the Company		1,854	3,109	1,037
– Non-controlling interests		325	42	–
		2,179	3,151	1,037
Total comprehensive income attributable to:				
– Equity holders of the Company		2,250	3,404	128
– Non-controlling interests		232	43	–
		2,482	3,447	128
Earnings per share for profit attributable to equity holders of the Company (Expressed in dollar per share)				
– Basic and diluted earnings per share	11	0.01	0.01	0.005

The accompanying notes form an integral part of these financial statements.

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020, 31 December 2021 and 31 December 2022

(All amounts in US Dollar unless otherwise stated)

	Note	As at 31 December		
		2020 USD’\$000	2021 USD’\$000	2022 USD’\$000
ASSETS				
Current assets				
Cash and cash equivalents	12	4,779	7,278	6,057
Trade and other receivables	13	3,006	3,611	3,704
Contract assets	4	1,975	2,644	2,975
Total current assets		9,760	13,533	12,736
Non-current assets				
Property, plant and equipment	14	771	1,349	2,307
Intangible assets	16	117	245	243
Right-of-use assets	15	498	2,218	2,804
Deferred tax assets	19	379	834	1,028
Other non-current assets	17	99	326	366
Total non-current assets		1,864	4,972	6,748
Total assets		11,624	18,505	19,484
LIABILITIES				
Current liabilities				
Trade and other payables	18	2,930	4,325	4,504
Contract liabilities	4	–	–	137
Current income tax liabilities	10(b)	35	11	24
Lease liabilities	15	340	840	896
Total current liabilities		3,305	5,176	5,561
Non-current liabilities				
Lease liabilities	15	186	1,336	1,901
Deferred income tax liabilities	19	540	991	892
Total non-current liabilities		726	2,327	2,793
Total liabilities		4,031	7,503	8,354
NET ASSETS		7,593	11,002	11,130
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	20	648	5,226	5,226
Other reserves		2,848	(1,282)	(2,166)
Retained profits		4,102	7,058	8,070
		7,598	11,002	11,130
Non-controlling interests		(5)	–	–
Total equity		7,593	11,002	11,130

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the financial years ended 31 December 2020, 2021 and 2022

(All amounts in US Dollar unless otherwise stated)

	Note	Share capital USD'\$000	Attributable to owners of the Group						Total equity USD'\$000	
			Other reserves		Currency translation reserve		Retained profits USD'\$000	Non-controlling interests USD'\$000		
			Capital reserves USD'\$000	Other reserves USD'\$000	USD'\$000	USD'\$000				Total USD'\$000
Balance at 1 January 2020		482	1,561	–	–	(844)	2,270	3,469	1,194	4,663
Profit for the year	20	–	–	–	–	–	1,854	1,854	325	2,179
Other comprehensive income/(loss) for the year	22	–	–	–	–	396	–	396	(93)	303
Total comprehensive income for the year		–	–	–	–	396	1,854	2,250	232	2,482
Transactions with owners, recognised directly in equity										
Cash capital increase		166	4,984	–	–	–	–	5,150	–	5,150
Profit appropriations to statutory reserves		–	–	22	–	–	(22)	–	–	–
Transactions with non-controlling interest		–	–	(3,271)	–	–	–	(3,271)	(1,431)	(4,702)
Balance at 31 December 2020		648	6,545	(3,249)	(448)	4,102	4,102	7,598	(5)	7,593
Balance at 1 January 2021		648	6,545	(3,249)	(448)	4,102	4,102	7,598	(5)	7,593
Profit for the year		–	–	–	–	–	3,109	3,109	42	3,151
Other comprehensive income for the year		–	–	–	295	–	–	295	1	296
Total comprehensive income for the year		–	–	–	295	3,109	3,109	3,404	43	3,447

The accompanying notes form an integral part of these financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

For the financial years ended 31 December 2020, 2021 and 2022

(All amounts in US Dollar unless otherwise stated)

	Note	Share capital USD’\$000	Capital reserves USD’\$000	Attributable to owners of the Group				Total equity USD’\$000
				Other reserves USD’\$000	Currency translation reserve USD’\$000	Retained profits USD’\$000	Non-controlling interests USD’\$000	
Transactions with owners, recognised directly in equity								
Stock buyback	20	(648)	–	–	–	–	–	(648)
Profit appropriations to statutory reserves		–	–	153	–	(153)	–	–
Issuance of new shares	20	648	–	–	–	–	–	648
Capital reserves transferred to capital	20	4,578	(4,578)	–	–	–	–	–
Disposal of controlling interest in subsidiary	12	–	–	–	–	–	(38)	(38)
Balance at 31 December 2021		5,226	1,967	(3,096)	(153)	7,058	–	11,002

The accompanying notes form an integral part of these financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

For the financial years ended 31 December 2020, 2021 and 2022

(All amounts in US Dollar unless otherwise stated)

	Note	Attributable to owners of the Group							Total equity USD’\$000
		Share capital USD’\$000	Capital reserves USD’\$000	Other reserves USD’\$000	Currency translation reserve USD’\$000	Retained profits USD’\$000	Total USD’\$000	Non-controlling interests USD’\$000	
Balance at 1 January 2022		5,226	1,967	(3,096)	(153)	7,058	11,002	–	11,002
Profit for the year		–	–	–	–	1,037	1,037	–	1,037
Other comprehensive loss for the year		–	–	–	(909)	–	(909)	–	(909)
Total comprehensive income for the year		–	–	–	(909)	1,037	128	–	128
Transactions with owners, recognised directly in equity									
Profit appropriations to statutory reserves		–	–	25	–	(25)	–	–	–
		–	–	25	–	(25)	–	–	–
Balance at 31 December 2022		5,226	1,967	(3,071)	(1,062)	8,070	11,130	–	11,130

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CONSOLIDATED STATEMENTS OF CASH FLOWS

For the financial years ended 31 December 2020, 2021 and 2022

(All amounts in US Dollar unless otherwise stated)

	Note	Years ended 31 December		
		2020 USD’\$000	2021 USD’\$000	2022 USD’\$000
Cash flows from operating activities				
Profit before income tax		2,190	3,001	775
Adjustments for:				
– Depreciation of property, plant and equipment	7	159	253	415
– Depreciation of right-of-use assets	7	376	597	974
– Amortisation of intangible assets	7	164	106	66
– Derecognition loss on property, plant and equipment	14	41	–	–
– Expected credit gains/(losses)	23	(17)	20	32
– Fair value loss on financial assets	6	123	–	–
– Interest income		(6)	(7)	(9)
– Finance expenses	9	19	26	60
– Losses on disposal of property, plant and equipment	6	56	40	64
– Losses on disposal of subsidiary	6	–	123	–
– Gains on lease modification	6	(29)	–	(151)
– Exchange (gains)/losses		(166)	66	73
		2,910	4,225	2,299
Changes in working capital:				
– Contract assets		(564)	(613)	(576)
– Trade and other receivables		(1,302)	(599)	(448)
– Contract liabilities		(199)	–	141
– Trade and other payables		979	1,333	569
Cash generated from operations		1,824	4,346	1,985
Interest received		6	7	9
Income tax paid	10(b)	(17)	(36)	(15)
Net cash generated from operating activities		1,813	4,317	1,979

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CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

For the financial years ended 31 December 2020, 2021 and 2022

(All amounts in US Dollar unless otherwise stated)

	Note	Years ended 31 December		
		2020 USD’\$000	2021 USD’\$000	2022 USD’\$000
Cash flows from investing activities				
Additions to property, plant and equipment	14	(424)	(990)	(1,601)
Proceeds from disposal of property, plant and equipment		22	79	11
Increase in prepayments for equipment		–	(117)	–
Additions to intangible assets		(211)	(232)	(86)
Increase in refundable deposits		(4)	(132)	(70)
Decrease in refundable deposits		79	24	–
Disposal of a subsidiary, net of cash	12	–	36	–
Net cash used in investing activities		(538)	(1,332)	(1,746)
Cash flows from financing activities				
Cash capital increase	20	5,150	–	–
Principal payments of lease liabilities	15	(359)	(606)	(790)
Cash capital increase of subsidiaries	22	30	–	–
Acquisition of non-controlling interests of a subsidiary	22	(4,732)	–	–
Interest paid		(19)	(26)	(60)
Net cash generated from/(used in) financing activities		70	(632)	(850)
Net increase in cash and cash equivalents		1,345	2,353	(617)
Cash and cash equivalents				
Beginning of financial year		3,138	4,779	7,278
Effects of exchange rate changes on cash and cash equivalents		296	146	(604)
End of financial year	12	4,779	7,278	6,057

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CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

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Reconciliation of liabilities arising from financing activities

	1 January USD\$'000	Non-cash changes	Non-cash changes	Principal and interest payments USD\$'000	Non-cash changes		31 December USD\$'000
		Addition USD\$'000	Interest expense on lease liabilities		Lease modification USD\$'000	Foreign exchange movement USD\$'000	
Lease liabilities							
2022	2,176	1,779	60	(850)	(151)	(217)	2,797
2021	526	2,220	26	(632)	–	36	2,176
2020	738	144	19	(378)	(29)	32	526

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial years ended 31 December 2020, 2021 and 2022

(All amounts in US Dollar unless otherwise stated)

1. General information, basis of presentation and the subsidiaries

1.1 General information

Winking Studios Limited (the “Company”), formerly known as WINKING ENTERTAINMENT LTD., was incorporated and domiciled in Cayman Islands on 15 December 2005 as an exempted private company limited by shares. The address of the Company’s registered office is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The Company is an investment holding company. The Company, together with its subsidiaries (as listed in Note 1.2) (collectively referred herein as, the “Group”), are principally engaged in the operation of Art Outsourcing and Game Development studios in the People’s Republic of China (the “PRC”).

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1. General information, basis of presentation and the subsidiaries (continued)

1.2 The subsidiaries

The subsidiaries held by the Company are as follows:

Name of subsidiaries	Country and date of incorporation	Principal activities	Effective interest held by the Group			Notes
			As of 31 December 2020 %	2021 %	2022 %	
Directly held						
Shanghai Winking Entertainment Limited	People’s Republic of China 13 January 2004	Investment holding, Art outsourcing and Game development headquarter	100	100	100	(ii)
Winking Entertainment (HK) Ltd.	Hongkong 26 October 2007	Game development, management and sales	100	100	100	(ii)
Winking Art Pte. Ltd.	Singapore 4 January 2021	Art outsourcing	–	100	100	(iii), (ii), (vi)
Winking Entertainment Corporation	Taiwan 21 July 2016	Intellectual property licensing	100	100	100	(i)
Winking Skywalker Entertainment Ltd.	Hongkong 1 February 2010	Intellectual property licensing	100	100	100	(ii)

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(All amounts in US Dollar unless otherwise stated)

1. General information, basis of presentation and the subsidiaries (continued)

1.2 The subsidiaries (continued)

The subsidiaries held by the Company are as follows: (continued)

Name of subsidiaries	Country and date of incorporation	Principal activities	Effective interest held by the Group			Notes
			As of 31 December 2020 %	2021 %	2022 %	
Indirectly held						
Nanjing Winking Entertainment Limited	People’s Republic of China 18 August 2009	Art outsourcing	100	100	100	(ii)
Shanghai Wishing Entertainment Ltd.	People’s Republic of China 20 December 2007	Group administration, PRC’s Intellectual property licensing	100	100	100	(ii)
Winking Entertainment Investment Ltd.	Hongkong 2 August 2017	Original intellectual licensing development, Intellectual property licensing	100	100	100	(ii)
Jiangshu Nuanyi Entertainment Ltd.	People’s Republic of China 31 December 2019	Intellectual property licensing	100	–	–	(iii), (iv)
Winking Art Limited	Hongkong 2 August 2017	Art outsourcing	100	100	100	(ii)

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1. General information, basis of presentation and the subsidiaries (continued)

1.2 The subsidiaries (continued)

The subsidiaries held by the Company are as follows: (continued)

Name of subsidiaries	Country and date of incorporation	Principal activities	Effective interest held by the Group			Notes
			As of 31 December 2020 %	2021 %	2022 %	
Indirectly held						
Nanjing Calmingray Studio Ltd.	People’s Republic of China 30 September 2018	Art outsourcing	50	–	–	(ii), (iii), (v)
Winking Art Ltd. (Philippines), Inc.	Philippines 21 January 2019	Art outsourcing	100	–	–	(ii), (v)
Yahyel Future Entertainment Inc.	Taiwan 26 April 2018	Original game development	100	100	–	(ii), (vii)
Winking 23 BJ Studio Corporation	Taiwan 23 April 2018	Original game development	100	100	–	(ii), (vii)

Notes:

(i) Local statutory financial statements audited by PricewaterhouseCoopers Taiwan for the financial years ended 31 December 2020, 2021 and 2022.

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(All amounts in US Dollar unless otherwise stated)

1. General information, basis of presentation and the subsidiaries (continued)

1.2 The subsidiaries (continued)

Notes: (continued)

- (ii) No statutory audited financial statements had been prepared for the financial years ended 31 December 2020, 2021 and 2022.
- (iii) On 24 July 2020, the Company entered into an equity transfer agreement with third party. Accordingly, the equity interest held by the Company decreased from 100% to 50%. This resulted in a decrease in non-controlling interest by USD1,000 and an increase in equity attributable to owners of the parent of USD31,000.
- (iv) Jiangshu Nuanyi Entertainment Ltd. has been liquidated during the financial year ended 31 December 2021.
- (v) On 30 November 2020, the Board of Directors approved the disposal of a 50% equity interest in Nanjing Calmingray Studio Ltd. at a consideration of USD9,000 (Note 12). And of a 100% equity interest in Winking Art Ltd. (Philippine), Inc. at a consideration of USD60,000 (Note 12). As of 31 May 2021, the disposals were completed.
- (vi) Winking Art Pte. Ltd. is incorporated during the financial year ended 31 December 2021.
- (vii) The dissolutions of the Company’s subsidiaries, Yahyel Future Entertainment Inc. and Winking 23 BJ Studio Corporation were approved by the Board of Directors on 19 January 2021. As at 31 December 2022, the dissolutions were completed.

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2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied throughout the financial years ended 31 December 2020, 2021 and 2022 (collectively referred to as the “Track Record Period”), unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)s”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of consolidated financial statements in conformity with SFRS(I)s requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3. The financial statements have been prepared on a historical cost basis, except for disclosed in the accounting policies below.

The Group has adopted all applicable new and revised SFRS(I)s and interpretations of SFRS(I)s including SFRS(I) 16 Leases (Covid-19-Related Rent Concessions beyond 30 June 2021), SFRS(I) 3 Business Combinations (Reference to the Conceptual Framework), SFRS(I)s1-16 Property, Plant and Equipment (Proceeds before Intended Use), SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Cost of Fulfilling a Contract), Annual improvements to SFRS(I) 2018-2020, except for any new standards or interpretation that are not yet effective for the reporting period ended 31 December 2022.

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2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies

The following new standards, amendments and interpretations to existing SFRS(I)s have been published and are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group.

Description	Effective for annual period beginning on or after
SFRS(I) 17 Insurance Contracts	1 January 2023
Amendments to SFRS(I) 1-12, International tax reform – pillar two model rules’	1 January 2023
Amendments to SFRS(I) 7, ‘Supplier finance arrangements’	1 January 2024
Amendments to SFRS(I) 1-1, ‘Classification of liabilities as current or non-current’	1 January 2024
Amendments to SFRS(I) 1-1, ‘Non-current liabilities with covenants’	1 January 2024
Amendments to SFRS(I) 1-1 Presentation of Financial Statements and SFRS(I) Practice Statement 2 (Disclosure of Accounting Policies)	1 January 2023
Amendments to SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)	1 January 2023
Amendments to SFRS(I) 1-12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to SFRS(I) 17 Insurance Contracts	1 January 2023
Amendments to SFRS(I) 16, ‘Lease liability in a sale and leaseback’	1 January 2024
Amendments to SFRS(I) 10 Consolidated Financial Statements	To be determined
Amendments to SFRS(I) 1-28 Investments in Associates and Joint Ventures (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)	To be determined

Management anticipates that the adoption of the above new or amended accounting standards and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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2. Summary of significant accounting policies (continued)

2.3 Revenue recognition

Revenue is recognised when or as the control of the service is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the services may be transferred over time.

(a) Revenue from service and Other

(i) Revenue from service

The Group’s revenue from providing art outsourcing, technical support and game development and other related services is recognised when the individual performance obligation is fulfilled over time. Service revenue is based on the price specified in the contract. The stage of completion is estimated based on the actual labour hours spent relative to the total expected labour hours.

The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(ii) Other

- The Group entered into contracts with customers to grant a licence of intellectual property to the customer. The Group recognises revenue when the performance obligation has been satisfied.
- The Group is engaged in video games and sales of peripheral products of the games. Sales are recognised when control of the products has transferred, that is, the customer has control of the product and obtained most residual benefit, and there is no unfulfilled obligation that could affect the customer acceptance of the products.

(b) Interest income

Interest income from financial assets at amortised cost is recognised using the effective interest rate method.

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2. Summary of significant accounting policies (continued)

2.4 Employee compensation

Employee benefits are recognised as an expense unless the cost qualifies to be capitalised as an asset.

- *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

2.5 Leases

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group’s lease agreements do not impose any covenants.

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

(a) Right-of-use assets

The Group recognises a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentives received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

(b) Lease liabilities

The initial measurement of a lease liability is measured at the present value of the lease payments discounted using the interest rate implicit in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

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2. Summary of significant accounting policies (continued)

2.5 Leases (continued)

(b) Lease liabilities (continued)

Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments include fixed payment (including in-substance fixed payments), less any lease incentives receivables.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- (i) There is a change in future lease payments arising from changes in an index or rate;
- (ii) There is a change in the Group’s assessment of whether it will exercise an extension option; or
- (iii) There is modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(c) Short-term and low value leases

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

2.6 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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2. Summary of significant accounting policies (continued)

2.6 Income taxes (continued)

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction, and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.7 Government grant

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are

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2. Summary of significant accounting policies (continued)

2.7 Government grant (continued)

intended to compensate on a systematic basis. Government grants relating to expenses are shown separately as other income.

2.8 Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Estimated useful life
Computers and electronic equipment	3-5 years
Leasehold improvements	1.5-5 years
Motor vehicles	5 years

The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within “other gains/(losses) – net”. Any amount in revaluation reserve relating to that item is transferred to retained profits directly.

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2. Summary of significant accounting policies (continued)

2.9 Intangible assets

Acquired computer software licences

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 to 5 years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.10 Impairment of non-financial assets

Intangible assets, property, plant with equipment, and right-of-use assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

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2. Summary of significant accounting policies (continued)

2.10 Impairment of non-financial assets (continued)

For an asset other than goodwill, management assesses at the end of the reporting period whether there is any indication that an impairment recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated and may result in a reversal of impairment loss. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.11 Financial assets

(a) Classification and measurement

The Group classifies its financial assets at amortised cost.

The classification depends on the Group’s business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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2. Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

(a) Classification and measurement (continued)

At subsequent measurement

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, contract assets and other non-current assets-refundable deposits.

There is one measurement category into which the Group classified its debt instruments:

Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 23 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets that do not contain a significant financing component, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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2. Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

(c) Recognition and derecognition (continued)

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

2.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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2. Summary of significant accounting policies (continued)

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.15 Currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The consolidated financial statements are presented in United States Dollar (“USD”), and the functional currency of the Company is United States Dollar (“USD”).

(b) Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within “other gains/(losses)”.

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2. Summary of significant accounting policies (continued)

2.15 Currency translation (continued)

(c) Translation of Group entities’ financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date; and
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions).
- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

2.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the Company.

2.17 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

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2. Summary of significant accounting policies (continued)

2.17 Group accounting (continued)

(a) Subsidiaries (continued)

(i) Consolidation (continued)

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary’s net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Disposals

When a change in the Group’s ownership interest in a subsidiary result in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

(b) Transactions with non-controlling interests

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

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3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Estimates of contract assets and service revenue

The Group recognises contract assets and service revenue when the individual performance obligation is fulfilled or over time. Service revenue is based on the price specified in the contract. The stage of completion is estimated based on the actual labour hours spent relative to the total expected labour hours.

Management has to estimate the total labour hours to complete, which are used in the input method to determine the Group’s recognition of art outsourcing revenue.

Significant judgement is used to estimate these total labour hours to complete. In making these estimates, management has relied on the experienced staff of the art outsourcing to determine the progress of the art outsourcing and also on past experience of completed projects.

Please refer to Note 4 for more details about the transactions.

4. Revenue

The Group derives revenue from the transfer of services over time. Disaggregation of the Group’s revenue is set out below.

	Years ended 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Service revenue	13,957	23,289	24,248
Other	529	402	250
Total	14,486	23,691	24,498

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4. Revenue (continued)

All art outsourcing contracts are for periods of one year or less. As permitted under SFRS(I) 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	1 January 2020 USD’\$000	2020 USD’\$000	31 December 2021 USD’\$000	2022 USD’\$000
Contract assets	1,289	1,975	2,644	2,975
Contract liabilities	197	–	–	137

Revenue recognised that was included in the contract liability balance at the beginning of the year:

	Years ended 31 December		
	2020 USD’\$000	2021 USD’\$000	2022 USD’\$000
Service revenue	197	–	–

5. Other income

	Years ended 31 December		
	2020 USD’\$000	2021 USD’\$000	2022 USD’\$000
Government grant income	201	39	113
Others	66	119	33
	267	158	146

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6. Other gains/(losses) – net

	Years ended 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Foreign exchange gains/(losses)	75	(123)	(144)
Gains on lease modification	29	–	151
Losses on disposal of property, plant and equipment	(56)	(40)	(64)
Losses on disposal of subsidiary (Note 12)	–	(123)	–
Losses on liquidation of subsidiary	–	–	(48)
Fair value loss on financial assets	(123)	–	–
Others	(25)	(33)	(15)
	(100)	(319)	(120)

7. Expenses by nature

	Years ended 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Employee compensation (Note 8)	7,521	12,968	16,055
Subcontract Expense	2,311	4,233	3,637
Depreciation of property, plant and equipment (Note 14)	159	253	415
Depreciation of right-of-use assets (Note 15)	376	597	974
Amortisation charges on intangible assets (Note 16)	164	106	66
Derecognition loss on property, plant and equipment (Note 14)	41	–	–
Service fee	252	645	361

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7. Expenses by nature (continued)

	Years ended 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Welfare expenses	188	283	361
Travel expenses	113	146	80
Other expenses	1,342	1,259	1,717
Total cost of sales, distribution and marketing costs and administrative expenses	<u>12,467</u>	<u>20,490</u>	<u>23,666</u>

8. Employee compensation

	Years ended 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Wages and salaries	6,910	11,103	13,240
Employer’s contribution to defined contribution plans	394	1,522	2,396
Other personnel expenses	217	343	419
	<u>7,521</u>	<u>12,968</u>	<u>16,055</u>

The Group’s PRC subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the PRC are based on certain percentage of employees’ monthly salaries and wages. Due to the Covid-19 pandemic, the PRC government announced a reduction on pension contribution percentage, during the period from February 2020 to December 2020. Other than the monthly contributions, the Group has no further obligations.

The Group’s Taiwan subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with Republic of China nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

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8. Employee compensation (continued)

For the financial years ended 31 December 2020, 2021 and 2022, the pension costs under defined contribution pension plans of the Group amounted to USD73,030, USD818,157 and USD1,379,170 respectively.

9. Finance expenses

	Years ended 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Interest expense on lease liabilities (Note 15)	19	26	60

10. Income taxes

(a) Income tax expense

	Years ended 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Current income tax	35	11	28
Under-provision in prior financial years	17	–	–
Total current income tax	52	11	28
Deferred income tax credit (Note 19)	(39)	(161)	(290)
Currency translation differences	(2)	–	–
	11	(150)	(262)

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10. Income taxes (continued)

(a) Income tax expense (continued)

The tax on the Group’s profit before tax differs from the theoretical amount that would arise using the standard rate of income tax as follows:

	Years ended 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Profit before income tax	2,190	3,001	775
Tax calculated at the applicable tax rate	489	716	221
Effect of:			
– expenses not deductible	2	4	14
– tax exempt income	(359)	(59)	(89)
– expenses relating to technical improvements deduction	–	(329)	(294)
– temporary differences not recognised as deferred tax assets	–	3	8
– taxable loss not recognised as deferred tax assets	–	25	172
– under-provision in prior financial years	17	–	–
– utilisation of unrecognised tax losses	(142)	(535)	(349)
– other	4	25	55
Tax charge/(credit)	11	(150)	(262)

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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10. Income taxes (continued)

(b) Movement in current income tax liabilities

	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Beginning of financial year	–	35	11
Currency translation differences	–	1	–
Income tax paid	(17)	(36)	(15)
Tax expense	35	11	28
Under-provision in prior financial years	17	–	–
End of financial year	<u>35</u>	<u>11</u>	<u>24</u>

(c) Tax incentive

Certain subsidiaries of the Group qualified for a preferential tax policy implemented by the PRC government as follows:

The subsidiaries of the Group, Shanghai Winking Entertainment Limited, Shanghai Wishing Entertainment Ltd. and Nanjing Winking Entertainment Limited, were entitled to the reduction or exemption of enterprise income tax under the ‘Announcement of the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households’ promulgated by the Ministry of Finance and the State Taxation Administration of the People’s Republic of China. The subsidiaries were also entitled to a higher deduction of 175% to 200% for the expenses relating to technical improvements that have been incurred by an enterprise during the research and development activity.

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11. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing net profit for the financial year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding at the end of the financial year.

	Years ended 31 December		
	2020	2021	2022
Net profit attributable to equity holders of the Company (USD'000)	1,854	3,109	1,037
Weighted average number of ordinary shares ('000)	178,327	221,068	221,068
Basic earnings per share (in USD)	0.01	0.01	0.005

For the financial years ended 31 December 2020, 2021 and 2022, the aforementioned weighted average number of ordinary shares outstanding had been retrospectively adjusted to account for (i) the number of ordinary shares from the conversion of US dollar ordinary shares into NTD ordinary shares, (ii) from the capitalisation of capital reserve, (iii) from the issuance of scrip dividends by capitalisation of the Company’s retained profits on 17 May 2023 and (iv) the number of ordinary shares from the conversion of NTD ordinary shares to Singapore Dollar (“SGD”) ordinary shares on 1 November 2023. Please refer to Note 20 and Note 28 for details.

(b) Diluted earnings per share

For the financial years ended 31 December 2020, 2021 and 2022, diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares.

12. Cash and cash equivalents

	As at 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Cash on hand	24	15	5
Checking accounts and demand deposits	4,755	7,263	6,052
	4,779	7,278	6,057

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12. Cash and cash equivalents (continued)

(a) Disposal of subsidiaries

- (i) On 31 May 2021, the Group disposed 50% of shares in the subsidiary, Nanjing Calmingray Studio Ltd. and therefore lost control over the subsidiary. The details of the consideration received from the transaction (including cash and cash equivalents) and assets and liabilities relating to the subsidiary are as follows:

	At 31 May 2021 USD’\$000
Carrying amounts of assets and liabilities as at the date of disposal:	
Cash and bank balances	15
Trade and other receivables	52
Property, plant and equipment	2
Deferred tax assets	24
Total assets	93
Trade and other payables	18
Total liabilities	18
Net assets derecognised	75
Less: Non-controlling interests	(38)
Net assets disposed of	37
Cash inflows arising from disposal:	
Net assets disposed of (as above)	37
Loss on disposal	(28)
Cash proceeds on disposal	9
Less: Cash and bank balances in subsidiary disposed of	(15)
Net cash outflow on disposal	(6)

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12. Cash and cash equivalents (continued)

(a) Disposal of subsidiaries (continued)

- (ii) On 31 May 2021, the Group disposed 100% of shares in the subsidiary, Winking Art Ltd. (Philippines), Inc. and therefore lost control over the subsidiary. The details of the consideration received from the transaction (including cash and cash equivalents) and assets and liabilities relating to the subsidiary are as follows:

	On 31 May 2021 USD’\$000
Carrying amounts of assets and liabilities as at the date of disposal:	
Cash and bank balances	18
Trade and other receivables	2
Property, plant and equipment	59
Deferred tax assets	119
Other non-current asset	3
Total assets	201
Trade and other payables	6
Other current liabilities	40
Total liabilities	46
Net assets disposed of	155
Cash inflows arising from disposal:	
Net assets disposed of (as above)	155
Loss on disposal	(95)
Cash proceeds on disposal	60
Less: Cash and bank balances in subsidiary disposed of	(18)
Net cash inflow on disposal	42

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12. Cash and cash equivalents (continued)

(b) Financing activities with no cash flow effects:

	Years ended 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
US dollar ordinary shares repurchased and issuing new NT dollar ordinary shares (Note 20)	–	648	–

(c) The Group has no cash and cash equivalents pledged to others.

13. Trade and other receivables

	As at 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Trade receivables:			
– Receivables	2,656	3,259	3,372
Less: Loss allowance	(20)	(30)	(59)
	<u>2,636</u>	<u>3,229</u>	<u>3,313</u>
Other receivables	153	162	193
Prepayments:			
– Offset against business tax payable	141	51	2
– Other prepayments	76	169	196
	<u>217</u>	<u>220</u>	<u>198</u>
Total	<u><u>3,006</u></u>	<u><u>3,611</u></u>	<u><u>3,704</u></u>

As at 31 December 2020, 2021 and 2022, trade receivables were all from contracts with customers. Also, as of 1 January 2020, the trade receivables from contracts with customers amounted to USD1,212,000.

The Group has no trade receivables pledged to others.

The Group did not hold any collateral for trade receivables.

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14. Property, plant and equipment

	Computers and electronic equipment USD’\$000	Leasehold improvements USD’\$000	Motor vehicles USD’\$000	Total USD’\$000
2020				
Beginning of financial year				
Cost	1,196	568	77	1,841
Accumulated depreciation and impairment	(774)	(446)	(45)	(1,265)
	422	122	32	576
Addition	355	69	–	424
Disposal	(37)	(41)	–	(78)
Derecognition	–	(41)	–	(41)
Depreciation charge	(130)	(23)	(6)	(159)
Currency translation differences	41	6	2	49
End of financial year	651	92	28	771
Representing:				
Cost	1,463	593	82	2,138
Accumulated depreciation and impairment	(812)	(501)	(54)	(1,367)
	651	92	28	771

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14. Property, plant and equipment (continued)

	Computers and electronic equipment USD’\$000	Leasehold improvements USD’\$000	Motor vehicles USD’\$000	Asset under construction USD’\$000	Total USD’\$000
2021					
Beginning of financial year					
Cost	1,463	593	82	–	2,138
Accumulated depreciation and impairment	(812)	(501)	(54)	–	(1,367)
	651	92	28	–	771
Addition	810	180	–	–	990
Disposal	(119)	–	–	–	(119)
Disposal of subsidiaries (Note 12)	(36)	(2)	(23)	–	(61)
Depreciation charge	(205)	(45)	(3)	–	(253)
Currency translation differences	18	5	(2)	–	21
End of financial year	1,119	230	–	–	1,349
Representing:					
Cost	1,828	788	50	–	2,666
Accumulated depreciation and impairment	(709)	(558)	(50)	–	(1,317)
	1,119	230	–	–	1,349

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14. Property, plant and equipment (continued)

	Computers and electronic equipment USD’\$000	Leasehold improvements USD’\$000	Motor vehicles USD’\$000	Asset under construction USD’\$000	Total USD’\$000
2022					
Beginning of financial year	1,828	788	50	–	2,666
Cost	(709)	(558)	(50)	–	(1,317)
Accumulated depreciation and impairment	1,119	230	–	–	1,349
Addition	992	333	–	276	1,601
Disposal	(70)	(5)	–	–	(75)
Depreciation charge	(348)	(67)	–	–	(415)
Currency translation differences	(118)	(28)	–	(7)	(153)
End of financial year	1,575	463	–	269	2,307
Representing:					
Cost	2,325	628	45	269	3,267
Accumulated depreciation and impairment	(750)	(165)	(45)	–	(960)
	1,575	463	–	269	2,307

The abovementioned property, plant and equipment were not subject to any pledges.

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15. Leases – The Group as a lessee

- (a) Nature of the Group’s leasing activities

Leasehold building

The Group leases office premises. Rental contracts are typically contracted for periods of 1 to 5 year(s). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants.

- (b) Amounts recognised in the consolidated statements of financial position

The consolidated statements of financial position show the following amounts relating to leases:

	As at 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Right-of-use assets			
– Buildings	498	2,218	2,804
Lease liabilities			
Current	340	840	896
Non-current	186	1,336	1,901
	526	2,176	2,797

The carrying amount of right-of-use assets and the depreciation charge are as follows:

	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Beginning of financial year	698	498	2,218
Addition	144	2,282	1,778
Depreciation charge	(376)	(597)	(974)
Currency translation differences	32	35	(218)
End of financial year	498	2,218	2,804

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15. Leases – The Group as a lessee (continued)

(b) Amounts recognised in the consolidated statements of financial position (continued)

Interest expense

	Years ended 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Interest expense on lease liabilities (Note 9)	19	26	60

Lease expense not capitalised in lease liabilities

	Years ended 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Lease expense – short-term leases	34	11	54
Lease expense – low-value leases	9	15	18
Total	43	26	72

For the financial years ended 31 December 2020, 2021 and 2022, the Group’s total cash outflow for all leases were USD421,000, USD658,000 and USD922,000, respectively.

For the financial years ended 31 December 2020, 2021 and 2022, the Company has applied the practical expedient to “Covid-19-related rent concessions”, and recognised the gain from changes in lease payments arising from the rent concessions amounting to USD29,000, USD nil and USD151,000 by increasing other gains, respectively.

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16. Intangible assets

	Computer software licences USD’\$000	Patent right USD’\$000	Trademark USD’\$000	Total USD’\$000
2020				
Beginning of financial year				
Cost	1,375	30	56	1,461
Accumulated amortisation	(1,317)	(29)	(51)	(1,397)
	58	1	5	64
Addition	211	–	–	211
Amortisation charge	(159)	(1)	(4)	(164)
Currency translation differences	6	–	–	6
End of financial year	116	–	1	117
Representing:				
Cost	1,668	30	60	1,758
Accumulated amortisation	(1,552)	(30)	(59)	(1,641)
	116	–	1	117
2021				
Beginning of financial year				
Cost	1,668	30	60	1,758
Accumulated amortisation	(1,552)	(30)	(59)	(1,641)
	116	–	1	117
Addition	232	–	–	232
Amortisation charge	(105)	–	(1)	(106)
Currency translation differences	2	–	–	2
End of financial year	245	–	–	245

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16. Intangible assets (continued)

	Computer software licences USD’\$000	Patent right USD’\$000	Trademark USD’\$000	Total USD’\$000
Representing:				
Cost	1,355	31	60	1,446
Accumulated amortisation	(1,110)	(31)	(60)	(1,201)
	245	–	–	245
2022				
Beginning of financial year	1,355	31	60	1,446
Cost	(1,110)	(31)	(60)	(1,201)
Accumulated amortisation	245	–	–	245
Addition	86	–	–	86
Amortisation charge	(66)	–	–	(66)
Currency translation differences	(22)	–	–	(22)
End of financial year	243	–	–	243
Representing:				
Cost	1,296	31	56	1,383
Accumulated amortisation	(1,053)	(31)	(56)	(1,140)
	243	–	–	243

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16. Intangible assets (continued)

Amortisation expense included in the statement of comprehensive income is analysed as follows:

	Years ended 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Cost of sales	45	26	2
Administrative expenses	119	80	64
	164	106	66

17. Other non-current assets

	As at 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Prepayments for equipment	–	119	119
Refundable deposits	99	207	247
	99	326	366

18. Trade and other payables

	As at 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Current			
Trade payables to:			
– non-related parties	1,057	1,369	1,209
Other payables:			
– salaries and bonuses payable	1,569	2,340	2,434
– social insurance and provident fund payable	42	66	146

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18. Trade and other payables (continued)

	As at 31 December		
	2020 USD’\$000	2021 USD’\$000	2022 USD’\$000
– service charge payable	127	351	273
– others	135	199	442
	1,873	2,956	3,295
Total	2,930	4,325	4,504

19. Deferred income taxes

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

	Beginning of financial year USD’\$000	Recognised in profit or loss USD’\$000	2020	Currency translation differences USD’\$000	Total USD’\$000
			Disposal of subsidiaries USD’\$000		
Deferred income tax assets					
Accrued expenses	67	40	–	6	113
Tax losses	65	144	–	11	220
Lease liabilities	60	(20)	–	6	46
	192	164	–	23	379
Deferred income tax liabilities					
Service revenue	(322)	(145)	–	(27)	(494)
Right-of-use assets	(60)	20	–	(6)	(46)
	(382)	(125)	–	(33)	(540)
	(190)	39	–	(10)	(161)

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19. Deferred income taxes (continued)

	Beginning of financial year USD’\$000	Recognised in profit or loss USD’\$000	2021		Total USD’\$000
			Disposal of subsidiaries USD’\$000	Currency translation differences USD’\$000	
Deferred income tax assets					
Accrued expenses	113	(1)	–	2	114
Tax losses	220	285	(143)	(3)	359
Lease liabilities	46	308	–	7	361
	379	592	(143)	6	834
Deferred income tax liabilities					
Service revenue	(494)	(123)	–	(13)	(630)
Right-of-use assets	(46)	(308)	–	(7)	(361)
	(540)	(431)	–	(20)	(991)
	(161)	161	(143)	(14)	(157)
2022					
	Beginning of financial year USD’\$000	Recognised in profit or loss USD’\$000	Disposal of subsidiaries USD’\$000	Currency translation differences USD’\$000	Total USD’\$000
Deferred income tax assets					
Accrued expenses	114	5	–	(11)	108
Tax losses	359	393	–	(42)	710
Lease liabilities	361	(131)	–	(20)	210
	834	267	–	(73)	1,028

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19. Deferred income taxes (continued)

	Beginning of financial year USD’\$000	Recognised in profit or loss USD’\$000	2022		Total USD’\$000
			Disposal of subsidiaries USD’\$000	Currency translation differences USD’\$000	
<i>Deferred income tax liabilities</i>					
Service revenue	(630)	(108)	–	56	(682)
Right-of-use assets	(361)	131	–	20	(210)
	(991)	23	–	76	(892)
	(157)	290	–	3	136

The Group has unrecognised tax losses of USD14,348,000, USD12,651,000 and USD9,690,000 as at 31 December 2020, 2021 and 2022 respectively which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies. The Group tax losses which amounted to USD9,690,000 will expire between 31 December 2023 to 31 December 2032.

The Group’s subsidiary, Shanghai Winking Entertainment Limited, is qualified as a technology-based small- and medium-sized enterprise (TSME). In accordance with the local tax act, beginning on 1 January 2018, the losses of the enterprise occurred 5 years before the year in which they become qualified as TSMEs and have not been utilized shall be allowed to be carried forward to subsequent years to be utilized, and the maximum carry forward period is extended from 5 years to 10 years.

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20. Share capital

	No. of ordinary shares Issued share capital share	Amount Issued share capital USD’\$000
2020		
Beginning of financial year	41,893,061	482
Cash capital increase	16,612,895	166
End of financial year	58,505,956	648
2021		
Beginning of financial year	58,505,956	648
Repurchase and cancellation of outstanding USD ordinary shares	(58,505,956)	(648)
Shares issued (NTD\$10 per share)	1,845,415	648
Capital surplus transferred to capital	13,856,517	4,578
End of financial year	15,701,932	5,226
2022		
Beginning/End of financial year	15,701,932	5,226

In September 2020, the Company issued 16,612,895 ordinary shares with par value USD0.01 per share to various of investors for a cash consideration of USD5,149,999 constituting of share capital USD166,129 and capital reserves USD4,983,870.

On 24 August 2021, the Company repurchased and cancelled its previously issued 58,505,956 ordinary shares with par value of USD0.011 per share from the existing shareholders for a consideration of USD648,000. The consideration was fulfilled via issuance of 1,845,415 ordinary shares with par value of NTD\$10 per share.

On 24 August 2021, the Company issued 13,856,517 ordinary shares by capitalising its capital reserve of USD4,578,000.

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20. Share capital (continued)

The rights and obligations of all the ordinary shares issued are the same.

All issued ordinary shares fully paid-up with par value of NTD\$10 per share.

21. Other reserve

Pursuant to the Company’s Articles of Incorporation, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership.

Please refer to the consolidated statement of changes in equity for the details of changes in the Group’s other reserve.

22. Transactions with non-controlling interest

(a) Acquisition of additional equity interest in a subsidiary

During the financial year ended 2020, the Group acquired an additional 26.18% of the issued shares of its subsidiary, Shanghai Winking Entertainment Limited, for a purchase cash consideration of USD4,732,000. The carrying amount of non-controlling interest in Shanghai Winking Entertainment Limited on the date of acquisition was USD1,430,000. The Group derecognised non-controlling interests of USD1,430,000 and recorded a decrease in the equity attributable to owners of the parent of USD3,302,000. The effect of changes in the ownership interests of Shanghai Winking Entertainment Limited on the equity attributable to owners of the Group during the financial year ended 2020 is summarised as follows:

	Year ended 31 December 2020 USD’\$000
Consideration paid to non-controlling interest	(4,732)
Carrying amount of non-controlling interest acquired	1,430
Other reserves – difference between proceeds on actual acquisition of equity interest in a subsidiary and its carrying amount	(3,302)

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22. Transactions with non-controlling interest (continued)

- (b) The Group did not participate in the capital increase raised by a subsidiary proportionally to its interest to the subsidiary:

On 24 July 2020, the Company entered into an agreement with third party. Accordingly, the equity interest held by the Company decreased from 100% to 50%. This resulted in a decrease in non-controlling interest by USD1,000 and an increase in equity attributable to owners of the parent of USD31,000. The effect of changes in the ownership interest of Nanjing Calmingray Studio Ltd. on the equity attributable to owners of the Group during the financial year ended 2020 is summarised as follows:

	Year ended 31 December 2020 USD’\$000
Subsidiary cash capital increase	30
Decrease in the carrying amount of non-controlling interest	1
Other reserves – recognition of changes in ownership interest in subsidiaries	31
	31

23. Financial risk management

Financial risk factors

The Group’s activities expose it to market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group’s financial performance.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the management. Group treasury is mainly responsible for identifying, evaluating and hedging financial risks. Group Treasury measures actual exposures against the limits set and prepare regular report to the Board of Directors.

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23. Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk

(i) *Currency risk*

The Group operates internationally and is exposed to currency risk arising from the transactions of the Company and its subsidiaries in various currency, primarily the USD, the Chinese Renminbi ('RMB') and the New Taiwan Dollar ('NTD') other than their respective functional currencies.

Management has set up a policy to require group companies to manage their currency risk against their functional currency. The companies are required to manage their entire currency risk exposure with the Group treasury. Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group's currency exposure based on the information provided to key management is as follows:

	NTD	RMB	USD
	'\$000	'\$000	'\$000
<u>At 31 December 2020</u>			
Financial assets			
Cash and bank balances	338	3,598	577
Trade and other receivables	390	1,440	711
Receivables from holding corporations/subsidiaries	511	3,749	9,859
Total financial assets	1,239	8,787	11,147
Financial liabilities			
Trade and other payables	(276)	(2,493)	–
Payable from holding corporations/subsidiaries	(511)	(3,749)	(9,859)
Total financial liabilities	(787)	(6,242)	(9,859)
Net financial assets	452	2,545	1,288

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23. Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

	NTD ’\$000	RMB ’\$000	USD ’\$000
Less: Net financial assets denominated in the respective entities’ functional currency	(441)	(953)	(232)
Net currency exposure	11	1,592	1,056
<u>At 31 December 2021</u>			
Financial assets			
Cash and bank balances	941	3,059	2,886
Trade and other receivables	1,163	766	1,112
Receivables from holding corporations/subsidiaries	65	2,089	2,425
Total financial assets	2,169	5,914	6,423
Financial liabilities			
Trade and other payables	(905)	(3,220)	–
Payable from holding corporations/subsidiaries	(65)	(2,089)	(2,425)
Total financial liabilities	(970)	(5,309)	(2,425)
Net financial assets	1,199	605	3,998
(Less)/add: Net financial assets denominated in the respective entities’ functional currency	(1,060)	190	(2,297)
Net currency exposure	139	795	1,701

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23. Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

	NTD ’\$000	RMB ’\$000	USD ’\$000
<u>At 31 December 2022</u>			
Financial assets			
Cash and bank balances	655	3,039	2,092
Trade and other receivables	905	2,025	618
Receivables from holding corporations/subsidiaries	151	1,640	600
Total financial assets	1,711	6,704	3,310
Financial liabilities			
Trade and other payables	(838)	(3,145)	–
Payable from holding corporations/subsidiaries	(151)	(1,640)	(600)
Total financial liabilities	(989)	(4,785)	(600)
Net financial assets	722	1,919	2,710
Less: Net financial assets denominated in the respective entities’ functional currency	(597)	(1,803)	(1,921)
Net currency exposure	125	116	789

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as NTD and RMB. If the NTD and RMB strengthened/weakened against the USD by 1% (2021, 2020: 1%) and 1% (2021, 2020: 1%) respectively with all other variables profit before tax, the effects arising from the net financial asset would decrease/increase the total return by USD2,410 (2020: USD16,030, 2021: USD9,340) respectively.

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23. Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(ii) *Equity price risk*

There was no significant equity price risk on the transactions of the Group.

(iii) *Cash flow and fair value interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group’s income is substantially independent of changes in market interest rates.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

Credit exposure to a new counterparty is restricted by credit limits that are approved by the Head of Credit Control based on ongoing credit evaluation. The counterparty’s payment pattern and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Head of Credit Control.

As the Group does not hold collateral, the maximum exposure to credit risk to each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

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23. Financial risk management (continued)

Financial risk factors (continued)

(b) Credit risk (continued)

The movements in credit loss allowance are as follows:

	As at 31 December		
	Contract assets	Trade receivables	Total
	USD’\$000	USD’\$000	USD’\$000
2020			
Balance at 1 January 2020	–	112	112
Reversal of unutilised amount	–	(17)	(17)
Written off	–	(77)	(77)
Effect of foreign exchange	–	2	2
Balance at 31 December 2020	–	20	20
2021			
Balance at 1 January 2021	–	20	20
Asset acquired/originated	–	20	20
Written off	–	(10)	(10)
Effect of foreign exchange	–	–	–
Balance at 31 December 2021	–	30	30

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23. Financial risk management (continued)

Financial risk factors (continued)

(b) Credit risk (continued)

	As at 31 December		
	Contract assets	Trade receivables	Total
	USD’\$000	USD’\$000	USD’\$000
2022			
Balance at 1 January 2022	–	30	30
Asset acquired/originated	–	32	32
Effect of foreign exchange	–	(3)	(3)
Balance at 31 December 2022	–	59	59

(i) *Trade receivables and contract assets*

The Group uses a loss rate methodology to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

In measuring the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward looking macroeconomic factors affecting the ability of the customers to settle the receivables.

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23. Financial risk management (continued)

Financial risk factors (continued)

(b) Credit risk (continued)

(i) *Trade receivables and contract assets* (continued)

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as default if the counterparty fails to make contractual payments within 90 days when they fall due, and writes off the financial asset when a debtor fails to make contractual payments greater than 365 days past due. Where receivables are written off, the company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Group’s credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2020, 2021 and 2022 are set out in the provision matrix as follows:

	As at 31 December				Total
	Without past due	0 to 30 days	31 days to 90 days	> 91 days	
2020					
Expected loss rate	0.2%~2.14%	0.4%~2.34%	1.2%~3.14%	100%	
Total book value (USD’\$000)					
– Trade receivables	2,405	125	112	14	2,656
– Contract assets	1,975	–	–	–	1,975
	4,380	125	112	14	4,631
Loss allowance	4	1	1	14	20

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23. Financial risk management (continued)

Financial risk factors (continued)

(b) Credit risk (continued)

(i) *Trade receivables and contract assets (continued)*

	As at 31 December				Total
	Without past due	0 to 30 days	31 days to 90 days	> 91 days	
2021					
Expected loss rate	0.2%~1.57%	0.4%~1.77%	1.2%~2.57%	100%	
Total book value (USD’\$000)					
– Trade receivables	2,938	281	29	11	3,259
– Contract assets	2,644	–	–	–	2,644
	5,582	281	29	11	5,903
Loss allowance	16	2	1	11	30
2022					
Expected loss rate	0.3%~11.77%	0.7%~11.97%	1.7%~12.77%	100%	
Total book value (USD’\$000)					
– Trade receivables	2,953	267	121	31	3,372
– Contract assets	2,975	–	–	–	2,975
	5,928	267	121	31	6,347
Loss allowance	18	8	2	31	59

(ii) *Cash and bank balance*

The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

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23. Financial risk management (continued)

Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and the ability to close out market positions at a short notice. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and checking accounts and demand deposits as disclosed in Note 12.

Management monitors rolling forecasts of the liquidity reserve (comprises undrawn borrowing facility and cash and bank balances (Note 12) of the Group on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with the practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group’s liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these obligations, monitoring liquidity ratios and maintaining debt financing plans.

The table below analyses non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	As at 31 December		
	Less than 1 year USD’\$000	Over 1 year USD’\$000	Total USD’\$000
2020			
<u>Non-derivative financial liabilities</u>			
– Trade and other payables	2,930	–	2,930
– Lease liabilities (include current and non-current)	364	188	552
	364	188	552

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23. Financial risk management (continued)

Financial risk factors (continued)

(c) Liquidity risk (continued)

	As at 31 December		
	Less than 1 year USD’\$000	Over 1 year USD’\$000	Total USD’\$000
2021			
<u>Non-derivative financial liabilities</u>			
– Trade and other payables	4,325	–	4,325
– Lease liabilities (include current and non-current)	904	1,388	2,292
2022			
<u>Non-derivative financial liabilities</u>			
– Trade and other payables	4,504	–	4,504
– Lease liabilities (include current and non-current)	966	1,989	2,955

(d) Capital risk

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payments, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

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23. Financial risk management (continued)

Financial risk factors (continued)

(d) Capital risk (continued)

The Group monitors capital on the basis of the debt ratio. This ratio is calculated as total liabilities divided by total assets.

	As at 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Total liabilities	4,031	7,503	8,354
Total assets	11,624	18,505	19,484
Debt ratio	35%	41%	43%

(e) Fair value measurements

The Group did not hold financial and non-financial instruments measured at fair value as at 31 December 2020, 2021 and 2022.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments are as follows:

	As at 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Financial assets			
<u>Financial assets at amortised cost</u>			
Cash and cash equivalents	4,779	7,278	6,057
Trade and other receivables	2,789	3,391	3,506
Other non-current assets- refundable deposits	99	207	247
	7,667	10,876	9,810

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23. Financial risk management (continued)

Financial risk factors (continued)

(f) Financial instruments by category (continued)

	As at 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Financial liabilities			
<u>Financial liabilities at amortised cost</u>			
Trade and other payables	2,930	4,325	4,504
Lease liabilities			
– Current	340	840	896
– Non-current	186	1,336	1,901
	3,456	6,501	7,301
	3,456	6,501	7,301

24. Immediate and ultimate holding corporations

Subsequent to the shares transfer agreement of shareholders on 31 December 2022, the Company’s immediate holding corporation is Acer Gaming Inc., incorporated in Taiwan. The ultimate holding corporation is Acer Incorporated, incorporated in Taiwan.

25. Related party transactions

Names of related parties and relationship

Names of related parties

All the directors, President and main management

Relationship with the Company

The Group’s key management and governance

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25. Related party transactions (continued)

Significant related party transactions

The Group had no related party transactions for the financial years ended 31 December 2020, 2021 and 2022 respectively.

Key management personnel compensation

	Years ended 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Short-term employee benefits	435	536	557

26. Segment information

The chief operating decision maker (“CODM”) has been identified as the Executive Directors of the Company who review the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The Group is principally engaged in art outsourcing. Information reported to CODM, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group. For the financial years ended 31 December 2020, 2021 and 2022, there are three operating segments based on business type: (1) Original Equipment Manufacturer (“Art Outsourcing Segment”), (2) Original Design Manufacturer (“Game Development Segment”) and (3) Global Publishing and Others. The CODM assess performance of the operating segments based on a measure of profit/(loss) before income tax.

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26. Segment information (continued)

Information about the disaggregation of the Group’s revenue from external customers by the business type of sales customers and non-current assets by the business type of assets is as follows:

	Year ended 31 December 2020			
	Art Outsourcing Segment USD’\$000	Game Development Segment USD’\$000	Global Publishing and Others USD’\$000	Total USD’\$000
Segment revenue				
Service revenue	12,251	1,706	–	13,957
Licencing and product revenue	–	–	529	529
	12,251	1,706	529	14,486
Profit before income tax	1,966	373	(149)	2,190
Significant non-cash items				
Depreciation of property, plant and equipment	124	33	2	159
Depreciation of right-of-use assets	212	164	–	376
Segment assets	9,830	1,369	425	11,624
Included in the segment assets:				
Trade receivables and other receivables	2,542	354	110	3,006
Property, plant and equipment	595	166	10	771
Right-of-use assets	186	312	–	498
Segment liabilities	3,409	475	147	4,031

**APPENDIX A – INDEPENDENT AUDITOR’S REPORT AND
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WINKING STUDIOS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts in US Dollar unless otherwise stated)

26. Segment information (continued)

Information about the disaggregation of the Group’s revenue from external customers by the business type of sales customers and non-current assets by the business type of assets is as follows (continued):

	Year ended 31 December 2021			
	Art Outsourcing Segment USD’\$000	Game Development Segment USD’\$000	Global Publishing and Others USD’\$000	Total USD’\$000
Segment revenue				
Service revenue	20,394	2,895	–	23,289
Licencing and product revenue	–	–	402	402
	20,394	2,895	402	23,691
Profit before income tax	2,290	1,613	(902)	3,001
Significant non-cash items				
Depreciation of property, plant and equipment	207	45	1	253
Depreciation of right-of-use assets	424	173	–	597
Segment assets	15,930	2,261	314	18,505
Included in the segment assets:				
Trade receivables and other receivables	3,108	441	62	3,611
Property, plant and equipment	1,104	243	2	1,349
Right-of-use assets	1,444	774	–	2,218
Segment liabilities	6,459	917	127	7,503

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26. Segment information (continued)

Information about the disaggregation of the Group’s revenue from external customers by the business type of sales customers and non-current assets by the business type of assets is as follows (continued):

	Year ended 31 December 2022			
	Art Outsourcing Segment USD’\$000	Game Development Segment USD’\$000	Global Publishing and Others USD’\$000	Total USD’\$000
Segment revenue				
Service revenue	22,021	2,227	–	24,248
Licencing and product revenue	–	–	250	250
	22,021	2,227	250	24,498
Profit before income tax	1,644	209	(1,078)	775
Significant non-cash items				
Depreciation of property, plant and equipment	319	66	30	415
Depreciation of right-of-use assets	937	34	3	974
Segment assets	17,514	1,771	199	19,484
Included in the segment assets:				
Trade receivables and other receivables	3,329	337	38	3,704
Property, plant and equipment	2,074	210	24	2,308
Right-of-use assets	2,520	255	29	2,804
Segment liabilities	7,509	759	86	8,354

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(All amounts in US Dollar unless otherwise stated)

26. Segment information (continued)

Revenue from external customers were classified based on the customers’ locations, respectively. Geographical information is as follows:

	As at 31 December		
	2020	2021	2022
	Revenue USD’\$000	Revenue USD’\$000	Revenue USD’\$000
PRC and Hong Kong	10,064	13,023	12,635
Taiwan	1,416	4,373	3,748
Korea	2,179	3,776	4,813
United States	308	1,905	2,372
Other	519	614	930
	14,486	23,691	24,498

Non-current assets were classified based on the assets’ locations, respectively. Geographical information is as follows:

	As at 31 December		
	2020	2021	2022
	non-current assets USD’\$000	non-current assets USD’\$000	non-current assets USD’\$000
PRC and Hong Kong	882	3,004	3,100
Taiwan	529	1,134	2,614
Other	74	–	6
	1,485	4,138	5,720

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For the financial years ended 31 December 2020, 2021 and 2022

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26. Segment information (continued)

Details of the revenue from individual customers that exceed 10% of net sale revenue in the statements of comprehensive income for the reported period are as follows:

	Years ended 31 December		
	2020	2021	2022
	USD’\$000	USD’\$000	USD’\$000
Customer W	3,234	4,514	2,617
Customer Z	836	2,504	1,912
Customer T	1,010	2,387	1,724

27. Outbreak of Coronavirus Disease (“COVID-19”)

Globally, the governments of multiple countries have undertaken drastic actions to limit the spread of COVID-19 including, safe distancing measures, lockdowns, travel restrictions and various travel advisories since the outbreak of COVID-19. Recently, many of these countries have lifted the restrictions.

As the Group is operating in a gaming industry, its operation has not been materially affected by COVID-19.

28. Events occurring after the reporting period

Save as disclosed elsewhere in these financial statements, the following events occurred after 31 December 2022:

On 10 January 2023, the Company issued 1,744,659 ordinary Shares with par value NT\$10 per share to various of investors for a cash consideration of USD3,022,980 constituting share capital of USD568,392 and capital reserves of USD2,454,588.

On 17 May 2023, the Company declared and issued scrip dividends where it issued 5,000,000 ordinary Shares of a par value of NTD10 per Share by capitalising its retained profits of USD1,623,060.

On 1 November 2023, the Company repurchased and cancelled its previously issued 22,446,591 ordinary shares with par value of NTD10 per share from the existing shareholders for a consideration of USD7,418,000. The consideration was fulfilled via issuance of 239,698,275 ordinary shares with par value of SGD0.04 per share.

29. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Winking Studios Limited on 8 November 2023.

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**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE THREE-MONTH
PERIOD ENDED 31 MARCH 2023**

WINKING STUDIOS LIMITED

(Incorporated and domiciled in Cayman Islands with limited liability No.159882)

AND ITS SUBSIDIARIES

**APPENDIX B – INDEPENDENT AUDITOR’S REVIEW REPORT AND
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STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

The Board of Directors

Winking Studios Limited
P.O. Box 31119 Grand Pavilion, Hibiscus Way,
802 West Bay Road, Grand Cayman,
KY1-1205, Cayman Islands

Report on Review of Unaudited Interim Condensed Consolidated Financial Statements

Introduction

We have reviewed the accompanying unaudited interim condensed consolidated statements of financial position of Winking Studios Limited (the “Company”) and its subsidiaries (the “Group”) as at 31 March 2023 and the related unaudited interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and the selected explanatory notes and other explanatory information (the “Unaudited Interim Condensed Consolidated Financial Statements”), as set out on pages B-4 to B-45. Management is responsible for the preparation and presentation of this Unaudited Interim Condensed Consolidated Financial Statements in accordance with Singapore Financial Reporting Standard (International) 1-34 Interim Financial Reporting (“SFRS(I) 1-34”). Our responsibility is to express a conclusion on this Unaudited Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements (“SSRE”) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing (“SSAs”) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Unaudited Interim Condensed Consolidated Financial Statements is not prepared, in all material respect, in accordance with SFRS(I) 1-34 *Interim Financial Reporting*.

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Restriction on distribution and use

This report is made solely to you as a body for the inclusion in the Offer Document of the Company to be issued in relation to the proposed offering of the shares of the Company in connection with the Company’s listing on the Catalist of the Singapore Exchange Securities Trading Limited.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore

Partner-in-charge: Alex Toh Wee Keong
8 November 2023

**APPENDIX B – INDEPENDENT AUDITOR’S REVIEW REPORT AND
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WINKING STUDIOS LIMITED AND ITS SUBSIDIARIES

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME**

*For the three-month period ended 31 March 2023
(All amounts in US Dollar unless otherwise stated)*

	Note	Three-month period ended	
		2022	2023
		USD’\$000	USD’\$000
		(Unaudited)	(Unaudited)
Revenue from contracts with customers	4	6,059	6,425
Cost of sales	7	(4,371)	(4,551)
Gross profit		1,688	1,874
Other income	5	24	34
Other losses – net	6	(63)	(29)
Distribution and marketing	7	(192)	(323)
Administrative expenses	7	(964)	(1,241)
Expected credit gains/(losses)	22	8	(58)
Interest income		3	2
Finance expenses	9	(8)	(23)
		(1,192)	(1,638)
Profit before income tax		496	236
Income tax credit	10(a)	133	324
Profit for the period		629	560
Other comprehensive income(loss):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation (losses)/gains arising from consolidation		(209)	143
Total comprehensive income for the period		420	703
Earnings per share			
(Expressed in dollar per share)			
– Basic and diluted earnings per share	11	0.003	0.002

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

**APPENDIX B – INDEPENDENT AUDITOR’S REVIEW REPORT AND
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WINKING STUDIOS LIMITED AND ITS SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 March 2023

(All amounts in US Dollar unless otherwise stated)

	Note	As at 31 December 2022 USD’\$000 (Audited)	As at 31 March 2023 USD’\$000 (Unaudited)
ASSETS			
Current assets			
Cash and cash equivalents	12	6,057	9,091
Trade and other receivables	13	3,704	3,152
Contract assets	4	2,975	3,313
Total current assets		12,736	15,556
Non-current assets			
Property, plant and equipment	14	2,307	2,361
Intangible assets	16	243	253
Right-of-use assets	15	2,804	2,589
Deferred tax assets	19	1,028	1,507
Other non-current assets	17	366	330
Total non-current assets		6,748	7,040
Total assets		19,484	22,596
LIABILITIES			
Current liabilities			
Trade and other payables	18	4,504	3,952
Contract liabilities	4	137	94
Current income tax liabilities	10(b)	24	34
Lease liabilities	15	896	918
Total current liabilities		5,561	4,998
Non-current liabilities			
Lease liabilities	15	1,901	1,706
Deferred income tax liabilities	19	892	1,036
Total non-current liabilities		2,793	2,742
Total liabilities		8,354	7,740
NET ASSETS		11,130	14,856
EQUITY			
Capital and reserves			
Share capital	20	5,226	5,795
Other reserves		(2,166)	431
Retained profits		8,070	8,630
Total equity		11,130	14,856

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

APPENDIX B – INDEPENDENT AUDITOR’S REVIEW REPORT AND THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

WINKING STUDIOS LIMITED AND ITS SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

*For the three-month period ended 31 March 2023
(All amounts in US Dollar unless otherwise stated)*

	Note	Share capital	Capital reserves	Other reserves			Retained profits	Total equity
				Share capital	Capital reserves	Other reserves		
		USD'\$000	USD'\$000	USD'\$000	USD'\$000	USD'\$000	USD'\$000	
Balance at 1 January 2022 (Audited)		5,226	1,967	(3,096)	(153)	7,058	11,002	
Profit for the period		–	–	–	–	629	629	
Other comprehensive loss		–	–	–	(209)	–	(209)	
Total comprehensive (loss)/income for the period		–	–	–	(209)	629	420	
Balance at 31 March 2022 (Unaudited)		5,226	1,967	(3,096)	(362)	7,687	11,422	
Balance at 1 January 2023 (Audited)		5,226	1,967	(3,071)	(1,062)	8,070	11,130	
Profit for the period		–	–	–	–	560	560	
Other comprehensive income		–	–	–	143	–	143	
Total comprehensive income for the period		–	–	–	143	560	703	
Cash capital increase	20	569	2,454	–	–	–	3,023	
Balance at 31 March 2023 (Unaudited)		5,795	4,421	(3,071)	(919)	8,630	14,856	

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

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WINKING STUDIOS LIMITED AND ITS SUBSIDIARIES

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month period ended 31 March 2023

(All amounts in US Dollar unless otherwise stated)

	Note	Three-month period ended	
		2022 USD’\$000 (Unaudited)	2023 USD’\$000 (Unaudited)
Cash flows from operating activities			
Profit before income tax		496	236
Adjustments for:			
– Depreciation of property, plant and equipment	7	87	139
– Depreciation of right-of-use assets	7	250	285
– Amortisation of intangible assets	7	16	19
– Expected credit (gains)/losses	22	(8)	58
– Interest income		(3)	(2)
– Finance expenses	9	8	23
– Losses on disposal of property, plant and equipment	6	4	1
– Exchange (gains)/losses		(190)	50
		660	809
Changes in working capital:			
– Contract assets		(511)	(298)
– Trade and other receivables		(3)	548
– Contract liabilities		12	(45)
– Trade and other payables		(467)	(617)
		(309)	397
Cash generated from operations		(309)	397
Interest received		3	2
Income tax paid	10(b)	–	–
		–	–
Net cash (used in)/generated from operating activities		(306)	399

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**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(CONTINUED)**

For the three-month period ended 31 March 2023

(All amounts in US Dollar unless otherwise stated)

	Note	Three-month period ended	
		2022 USD’\$000 (Unaudited)	2023 USD’\$000 (Unaudited)
Cash flows from investing activities			
Additions to property, plant and equipment	14	(343)	(178)
Proceeds from disposal of property, plant and equipment		–	13
Additions to intangible assets	16	–	(27)
Increase in refundable deposits		(73)	–
Net cash used in investing activities		(416)	(192)
Cash flows from financing activities			
Cash capital increase	20	–	3,023
Principal payments of lease liabilities	15	(162)	(247)
Interest paid		(8)	(23)
Net cash (used in)/generated from financing activities		(170)	2,753
Net (decrease)/increase in cash and cash equivalents		(892)	2,960
Cash and cash equivalents			
Beginning of financial year		7,278	6,057
Effects of exchange rate changes on cash and cash equivalents		(23)	74
End of financial period	12	6,363	9,091

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

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**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(CONTINUED)**

For the three-month period ended 31 March 2023

(All amounts in US Dollar unless otherwise stated)

Reconciliation of liabilities arising from financing activities

		Non-cash changes	Non-cash changes		Non-cash changes	
	1 January USD\$'000	Addition USD\$'000	Interest expense on lease liabilities USD\$'000	Principal and interest payments USD\$'000	Foreign exchange movement USD\$'000	31 March USD\$'000
(Unaudited)						
Lease liabilities						
2023	2,797	46	23	(270)	28	2,624
2022	2,176	31	8	(170)	(22)	2,023

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

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For the three-month period ended 31 March 2023

(All amounts in US Dollar unless otherwise stated)

1. General information, basis of presentation and the subsidiaries

1.1 General information

Winking Studios Limited (the “Company”) formerly known as WINKING ENTERTAINMENT LTD., was incorporated and domiciled in Cayman Islands on 12 December 2005 as an exempted private company limited by shares. The address of the Company’s registered office is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The Company is an investment holding company. The Company, together with its subsidiaries (as listed in Note 1.2) (collectively referred herein as, the “Group”), are principally engaged in the operation of Art Outsourcing and Game Development studios in the People’s Republic of China (the “PRC”).

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*For the three-month period ended 31 March 2023
(All amounts in US Dollar unless otherwise stated)*

1. General information, basis of presentation and the subsidiaries (continued)

1.2 The subsidiaries

The subsidiaries held by the Company are as follows:

Name of subsidiaries	Country and date of incorporation	Principal activities	Effective interest held by the Group		Notes
			As of 31 December 2022 %	As of 31 March 2023 %	
Directly held					
Shanghai Winking Entertainment Limited	People’s Republic of China 13 January 2004	Investment holding, Art outsourcing and Game development headquarter	100	100	(ii)
Winking Entertainment (HK) Ltd.	Hongkong 26 October 2007	Game development, management and sales	100	100	(ii)
Winking Art Pte. Ltd.	Singapore 4 January 2021	Art outsourcing	100	100	(ii)
Winking Entertainment Corporation	Taiwan 21 July 2016	Intellectual property licensing	100	100	(i)

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*For the three-month period ended 31 March 2023
(All amounts in US Dollar unless otherwise stated)*

1. General information, basis of presentation and the subsidiaries (continued)

1.2 The subsidiaries (continued)

Name of subsidiaries	Country and date of incorporation	Principal activities	Effective interest held by the Group		Notes
			As of 31 December 2022 %	As of 31 March 2023 %	
Winking Skywalker Entertainment Ltd.	Hongkong 1 February 2010	Intellectual property licensing	100	100	(ii)
Indirectly held Nanjing Winking Entertainment Limited	People’s Republic of China 18 August 2009	Art outsourcing	100	100	(ii)
Shanghai Wishing Entertainment Ltd.	People’s Republic of China 20 December 2007	Group administration, PRC’s Intellectual property licensing	100	100	(ii)
Winking Entertainment Investment Ltd.	Hongkong 2 August 2017	Original intellectual licensing development, Intellectual property licensing	100	100	(ii)

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*For the three-month period ended 31 March 2023
(All amounts in US Dollar unless otherwise stated)*

1. General information, basis of presentation and the subsidiaries (continued)

1.2 The subsidiaries (continued)

Name of subsidiaries	Country and date of incorporation	Principal activities	Effective interest held by the Group	Notes
			As of 31 December 2022 %	As of 31 March 2023 %
Winking Art Limited	Hongkong 2 August 2017	Art outsourcing	100	100 (ii)

Notes:

- (i) Local statutory financial statements audited by PricewaterhouseCoopers Taiwan for the financial years ended 31 December 2022.
- (ii) No statutory audited financial statements had been prepared for the financial years ended 31 December 2022.

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WINKING STUDIOS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2023

(All amounts in US Dollar unless otherwise stated)

2. Summary of significant accounting policies

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the three-month period ended 31 March 2023 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The unaudited interim condensed consolidated financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s.

The Group has adopted all applicable new and revised SFRS(I)s and interpretations of SFRS(I)s including SFRS(I) 17 Insurance Contracts, SFRS(I) 1-12 International tax reform – pillar two model rules’, SFRS(I) 1-1 Presentation of Financial Statements and SFRS(I) Practice Statement 2 (Disclosure of Accounting Policies), SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates), SFRS(I) 1-12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction, except for any new standards or interpretation that are not yet effective for the reporting period ended 31 March 2023.

The unaudited interim condensed financial statements are presented in US Dollar (“USD”).

2.2 Changes in accounting policies

The following new standards, amendments and interpretations to existing SFRS(I)s have been published and are not mandatory for 31 March 2023 reporting periods and have not been early adopted by the Group.

Description	Effective for annual period beginning on or after
Amendments to SFRS(I) 1-1, ‘Classification of liabilities as current or non-current’	1 January 2024
Amendments to SFRS(I) 7, ‘Supplier finance arrangements’	1 January 2024
Amendments to SFRS(I) 16, ‘Lease liability in a sale and leaseback’	1 January 2024

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For the three-month period ended 31 March 2023

(All amounts in US Dollar unless otherwise stated)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

Description	Effective for annual period beginning on or after
Amendments to SFRS(I) 1-1, ‘Non-current liabilities with covenants’	1 January 2024
Amendments to SFRS(I) 10 Consolidated Financial Statements	To be determined
Amendments to SFRS(I) 1-28 Investments in Associates and Joint Ventures (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)	To be determined

Management anticipates that the adoption of the above new or amended accounting standards and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Estimates of contract assets and service revenue

The Group recognises contract assets and service revenue when the individual performance obligation is fulfilled or over time. Service revenue is based on the price specified in the contract. The stage of completion is estimated based on the actual labour hours spent relative to the total expected labour hours.

Management has to estimate the total labour hours to complete, which are used in the input method to determine the Group’s recognition of art outsourcing revenue.

Significant judgement is used to estimate these total labour hours to complete. In making these estimates, management has relied on the experienced staff of the art outsourcing to determine the progress of the art outsourcing and also on past experience of completed projects.

Please refer to Note 4 for more details about the transactions.

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4. Revenue

The Group derives revenue from the transfer of services over time and the royalty was calculated based on the actual sales to the customer. Disaggregation of the Group’s revenue is set out below.

	Three-month period ended 31 March	
	2022 USD’\$000 (Unaudited)	2023 USD’\$000 (Unaudited)
Service revenue	5,974	6,399
Other	85	26
Total	6,059	6,425

Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	As at 1 January 2022 USD’\$000 (Audited)	As at 31 December 2022 USD’\$000 (Audited)	As at 31 March 2023 USD’\$000 (Unaudited)
Contract assets	2,644	2,975	3,313
Contract liabilities	–	137	94

Revenue recognised that was included in the contract liability balance at the beginning of the year:

	Three-month period ended 31 March	
	2022 USD’\$000 (Unaudited)	2023 USD’\$000 (Unaudited)
Service revenue	–	112

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5. Other income

	Three-month period ended 31 March	
	2022 USD’\$000 (Unaudited)	2023 USD’\$000 (Unaudited)
Government grant income	2	3
Others	22	31
	24	34

6. Other losses – net

	Three-month period ended 31 March	
	2022 USD’\$000 (Unaudited)	2023 USD’\$000 (Unaudited)
Foreign exchange losses	(57)	(23)
Losses on disposal of property, plant and equipment	(4)	(1)
Others	(2)	(5)
	(63)	(29)

7. Expenses by nature

	Three-month period ended 31 March	
	2022 USD’\$000 (Unaudited)	2023 USD’\$000 (Unaudited)
Employee compensation (Note 8)	3,933	4,338
Subcontract Expense	714	600
Depreciation of property, plant and equipment (Note 14)	87	139
Depreciation of right-of-use assets (Note 15)	250	285
Amortisation charges on intangible assets (Note 16)	16	19
Service fee	128	295

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7. Expenses by nature (continued)

	Three-month period ended 31 March	
	2022 USD’\$000 (Unaudited)	2023 USD’\$000 (Unaudited)
Welfare expenses	25	21
Travel expenses	39	15
Other expenses	327	403
Total cost of sales, distribution and marketing costs and administrative expenses	5,519	6,115

8. Employee compensation

	Three-month period ended 31 March	
	2022 USD’\$000 (Unaudited)	2023 USD’\$000 (Unaudited)
Wages and salaries	3,218	3,555
Employer’s contribution to defined contribution plans	613	668
Other personnel expenses	102	115
	3,933	4,338

The Group’s PRC subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the PRC are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

The Group’s Taiwan subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with Republic of China nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

For the three-months period ended 31 March 2022 and 2023, the pension costs under defined contribution pension plans of the Group amounted to USD354,518 and USD385,964 respectively.

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9. Finance expenses

	Three-month period ended 31 March	
	2022	2023
	USD’\$000 (Unaudited)	USD’\$000 (Unaudited)
Interest expense on lease liabilities (Note 15)	8	23
	8	23

10. Income taxes

(a) Income tax expense/(credit)

	Three-month period ended 31 March	
	2022	2023
	USD’\$000 (Unaudited)	USD’\$000 (Unaudited)
Current income tax	30	10
Deferred income tax credit (Note 19)	(163)	(334)
	(133)	(324)
	(133)	(324)

The tax on the Group’s profit before tax differs from the theoretical amount that would arise using the standard rate of income tax as follows:

	Three-month period ended 31 March	
	2022	2023
	USD’\$000 (Unaudited)	USD’\$000 (Unaudited)
Profit before income tax	496	236
Tax calculated at the applicable tax rate	(2)	(48)

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10. Income taxes (continued)

(a) Income tax expense/(credit) (continued)

	Three-month period ended 31 March	
	2022	2023
	USD’\$000 (Unaudited)	USD’\$000 (Unaudited)
Effect of:		
– expenses not deductible	1	2
– tax exempt income	(145)	(121)
– expenses relating to technical improvements deduction	(71)	(90)
– temporary differences not recognised as deferred tax assets	(3)	10
– taxable loss not recognised as deferred tax assets	105	–
– utilisation of unrecognised tax losses	(18)	(77)
Tax credit	(133)	(324)

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

(b) Movement in current income tax liabilities

	31 December 2022	31 March 2023
	USD’\$000 (Audited)	USD’\$000 (Unaudited)
	Beginning of financial year	11
Income tax paid	(15)	–
Tax expense	28	10
End of financial year	24	34

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10. Income taxes (continued)

(c) Tax incentive

Certain subsidiaries of the Group qualified for a preferential tax policy implemented by the PRC government as follows:

The subsidiaries of the Group, Shanghai Winking Entertainment Limited, Shanghai Wishing Entertainment Ltd. and Nanjing Winking Entertainment Limited, were entitled to the reduction or exemption of enterprise income tax under the ‘Announcement of the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households’ promulgated by the Ministry of Finance and the State Taxation Administration of the People’s Republic of China. The subsidiaries were also entitled to a higher deduction of 175% to 200% for the expenses relating to technical improvements that have been incurred by an enterprise during the research and development activity.

11. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing net profit for the financial period attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding at the end of the financial period.

	Three-month period ended 31 March	
	2022	2023
	(Unaudited)	(Unaudited)
Net profit attributable to equity holders of the Company (USD’000)	629	560
Weighted average number of ordinary shares (’000)	221,068	237,301
Basic earnings per share (in USD)	0.003	0.002

For the three-month period ended 31 March 2022 and 2023, the aforementioned weighted average number of ordinary shares outstanding had been retrospectively adjusted to account for (i) the number of ordinary shares from the conversion of US dollar ordinary shares into NTD ordinary shares, (ii) from the capitalisation of capital reserve, (iii) from the issuance of scrip dividends by capitalisation of the Company’s retained profits on 17 May 2023 and (iv) the number of ordinary shares from the conversion of NTD ordinary shares to Singapore Dollar (“SGD”) ordinary shares on 1 November 2023. Please refer to Note 20 and Note 27 for details.

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11. Earnings per share (continued)

(b) Diluted earnings per share

For the three-month period ended 31 March 2022 and 2023, diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares.

12. Cash and cash equivalents

	As at 31 December 2022 USD’\$000 (Audited)	As at 31 March 2023 USD’\$000 (Unaudited)
Cash on hand	5	5
Checking accounts and demand deposits	6,052	9,086
	<u>6,057</u>	<u>9,091</u>

The Group has no cash and cash equivalents pledged to others.

13. Trade and other receivables

	As at 31 December 2022 USD’\$000 (Audited)	As at 31 March 2023 USD’\$000 (Unaudited)
Trade receivables:		
– Receivables	3,372	2,824
Less: Loss allowance	(59)	(115)
	<u>3,313</u>	<u>2,709</u>
Other receivables	193	214
Prepayments:		
– Offset against business tax payable	2	1
– Other prepayments	196	228
	<u>198</u>	<u>229</u>
Total	<u><u>3,704</u></u>	<u><u>3,152</u></u>

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13. Trade and other receivables (continued)

As at 31 March 2023, trade receivables were all from contracts with customers. Also, as of 1 January 2022, the trade receivables from contracts with customers amounted to USD3,259,000.

The Group has no trade receivables pledged to others.

The Group did not hold any collateral for trade receivables.

14. Property, plant and equipment

	Computers and electronic equipment USD’\$000	Leasehold improvements USD’\$000	Motor vehicles USD’\$000	Asset under construction USD’\$000	Total USD’\$000
31 December 2022					
Beginning of financial year (Audited)					
Cost	1,828	788	50	–	2,666
Accumulated depreciation and impairment	(709)	(558)	(50)	–	(1,317)
	1,119	230	–	–	1,349
Addition	992	333	–	276	1,601
Disposal	(70)	(5)	–	–	(75)
Depreciation charge	(348)	(67)	–	–	(415)
Currency translation differences	(118)	(28)	–	(7)	(153)
End of financial year (Audited)	1,575	463	–	269	2,307
Representing:					
Cost	2,325	628	50	269	3,272
Accumulated depreciation and impairment	(750)	(165)	(50)	–	(965)
	1,575	463	–	269	2,307

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14. Property, plant and equipment (continued)

	Computers and electronic equipment USD’\$000	Leasehold improvements USD’\$000	Motor vehicles USD’\$000	Asset under construction USD’\$000	Total USD’\$000
31 March 2023					
Beginning of financial year (Audited)					
Cost	2,325	628	50	269	3,272
Accumulated depreciation and impairment	(750)	(165)	(50)	–	(965)
	1,575	463	–	269	2,307
Addition	123	3	–	52	178
Disposal	(14)	–	–	–	(14)
Transfers	–	286	–	(286)	–
Depreciation charge	(111)	(28)	–	–	(139)
Currency translation differences	18	7	–	4	29
End of financial period (Unaudited)	1,591	731	–	39	2,361
Representing:					
Cost	2,451	925	46	39	3,461
Accumulated depreciation and impairment	(860)	(194)	(46)	–	(1,100)
	1,591	731	–	39	2,361

The abovementioned property, plant and equipment were not subject to any pledges.

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15. Leases – The Group as a lessee

- (a) Nature of the Group’s leasing activities

Leasehold building

The Group leases office premises. Rental contracts are typically contracted for periods of 1 to 5 year(s). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants.

- (b) Amounts recognised in the interim condensed statements of financial position

The interim condensed statements of financial position show the following amounts relating to leases:

	As at 31 December 2022 USD’\$000 (Audited)	As at 31 March 2023 USD’\$000 (Unaudited)
Right-of-use assets		
– Buildings	2,804	2,589
Lease liabilities		
Current	896	918
Non-current	1,901	1,706
	2,797	2,624

The carrying amount of right-of-use assets and the depreciation charge are as follows:

	31 December 2022 USD’\$000 (Audited)	31 March 2023 USD’\$000 (Unaudited)
Beginning of financial year	2,218	2,804
Addition	1,778	46
Depreciation charge	(974)	(285)
Currency translation differences	(218)	24
	2,804	2,589

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15. Leases – The Group as a lessee (continued)

- (b) Amounts recognised in the interim condensed statements of financial position (continued)

Interest expense

	Three-month period ended 31 March	
	2022	2023
	USD’\$000 (Unaudited)	USD’\$000 (Unaudited)
Interest expense on lease liabilities (Note 9)	8	23

Lease expense not capitalised in lease liabilities

	Three-month period ended 31 March	
	2022	2023
	USD’\$000 (Unaudited)	USD’\$000 (Unaudited)
Lease expense – short-term leases	16	1
Lease expense – low-value leases	5	5
Total	21	6

For the three-month period ended 31 March 2022 and 2023, the Group’s total cash outflow for all leases were USD191,000 and USD276,000 respectively.

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16. Intangible assets

	Computer software licences	Patent right	Trademark	Total
	USD’\$000	USD’\$000	USD’\$000	USD’\$000
31 December 2022				
Beginning of financial year (Audited)				
Cost	1,355	31	60	1,446
Accumulated amortisation	(1,110)	(31)	(60)	(1,201)
	245	–	–	245
Addition	86	–	–	86
Amortisation charge	(66)	–	–	(66)
Currency translation differences	(22)	–	–	(22)
End of financial year (Audited)	243	–	–	243
Representing:				
Cost	1,296	31	56	1,383
Accumulated amortisation	(1,053)	(31)	(56)	(1,140)
	243	–	–	243
31 March 2023				
Beginning of financial year (Audited)				
Cost	1,296	31	20	1,347
Accumulated amortisation	(1,053)	(31)	(20)	(1,104)
	243	–	–	243
Addition	27	–	–	27
Amortisation charge	(19)	–	–	(19)
Currency translation differences	2	–	–	2
End of financial period (Unaudited)	253	–	–	253
Representing:				
Cost	1,289	31	20	1,340
Accumulated amortisation	(1,036)	(31)	(20)	(1,087)
	253	–	–	253

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16. Intangible assets (continued)

Amortisation expense included in the statement of comprehensive income is analysed as follows:

	Three-month period ended 31 March	
	2022 USD’\$000 (Unaudited)	2023 USD’\$000 (Unaudited)
Cost of sales	1	2
Administrative expenses	15	17
	16	19

17. Other non-current assets

	As at 31 December 2022 USD’\$000 (Audited)	As at 31 March 2023 USD’\$000 (Unaudited)
	Prepayments for equipment	119
Refundable deposits	247	247
	366	330

18. Trade and other payables

	As at 31 December 2022 USD’\$000 (Audited)	As at 31 March 2023 USD’\$000 (Unaudited)
	Current	
Trade payables to:		
– non-related parties	1,209	1,110

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18. Trade and other payables (continued)

	As at 31 December 2022 USD’\$000 (Audited)	As at 31 March 2023 USD’\$000 (Unaudited)
Other payables:		
– salaries and bonuses payable	2,434	2,213
– social insurance and provident fund payable	146	82
– service charge payable	273	219
– others	442	328
	3,295	2,842
Total	4,504	3,952

19. Deferred income taxes

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

	Beginning of financial year USD’\$000	31 December 2022 (Audited)		Total USD’\$000
		Recognised in profit or loss USD’\$000	Currency translation differences USD’\$000	
<i>Deferred income tax assets</i>				
Accrued expenses	114	5	(11)	108
Tax losses	359	393	(42)	710
Lease liabilities	361	(131)	(20)	210
	834	267	(73)	1,028

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19. Deferred income taxes (continued)

	31 December 2022 (Audited)			Total USD’\$000
	Beginning of financial year USD’\$000	Recognised in profit or loss USD’\$000	Currency translation differences USD’\$000	
<i>Deferred income tax liabilities</i>				
Service revenue	(630)	(108)	56	(682)
Right-of-use assets	(361)	131	20	(210)
	(991)	23	76	(892)
	(157)	290	3	136

	31 March 2023 (Unaudited)			Total USD’\$000
	Beginning of financial year USD’\$000	Recognised in profit or loss USD’\$000	Currency translation differences USD’\$000	
<i>Deferred income tax assets</i>				
Accrued expenses	108	20	2	130
Tax losses	710	479	9	1,198
Lease liabilities	210	(32)	1	179
	1,028	467	12	1,507

<i>Deferred income tax liabilities</i>				
Service revenue	(682)	(164)	(9)	(855)
Right-of-use assets	(210)	31	(2)	(181)
	(892)	(133)	(11)	(1,036)
	136	334	1	471

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19. Deferred income taxes (continued)

The Group has unrecognised tax losses of USD9,690,000 and USD7,461,059 as at 31 December 2022, and as at 31 March 2023 respectively which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies. The Group tax losses which amounted to USD7,461,059 will expire between 31 December 2023 to 31 December 2032.

The Group’s subsidiary, Shanghai Winking Entertainment Limited, is qualified as a technology-based small- and medium-sized enterprise (TSME). In accordance with the local tax act, beginning on 1 January 2018, the losses of the enterprise occurred 5 years before the year in which they become qualified as TSMEs and have not been utilized shall be allowed to be carried forward to subsequent years to be utilized, and the maximum carry forward period is extended from 5 years to 10 years.

20. Share capital

	No. of ordinary shares Issued share capital share	Amount Issued share capital USD’\$000
31 December 2022		
Beginning of financial year/End of financial year (Audited)	15,701,932	5,226
31 March 2023		
Beginning of financial year (Audited)	15,701,932	5,226
Cash capital increase	1,744,659	569
End of financial period (Unaudited)	17,446,591	5,795

All issued ordinary shares fully paid-up with par value of NTD\$10 per share.

On 10 January 2023, the Company issued 1,744,659 ordinary shares with par value NT\$10 per share to various of investors for a cash consideration of USD3,022,980 constituting of share capital USD568,392 and capital reserves USD2,454,588.

The rights and obligations of all the ordinary shares issued are the same.

All issued ordinary shares fully paid-up with par value of NTD\$10 per share.

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21. Other reserve

Pursuant to the Company’s Articles of Incorporation, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership.

Please refer to the consolidated statement of changes in equity for the details of changes in the Group’s other reserve.

22. Financial risk management

Financial risk factors

The Group’s activities expose it to market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group’s financial performance.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the management. Group treasury is mainly responsible for identifying, evaluating and hedging financial risks. Group Treasury measures actual exposures against the limits set and prepare regular report to the Board of Directors.

(a) Market risk

(i) *Currency risk*

The Group operates internationally and is exposed to currency risk arising from the transactions of the Company and its subsidiaries in various currency, primarily the USD, the Chinese Renminbi (‘RMB’) and the New Taiwan Dollar (‘NTD’) other than their respective functional currencies.

Management has set up a policy to require group companies to manage their currency risk against their functional currency. The companies are required to manage their entire currency risk exposure with the Group treasury. Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity’s functional currency.

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22. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Group’s currency exposure based on the information provided to key management is as follows:

	NTD	RMB	USD
	’\$000	’\$000	’\$000
<u>At 31 December 2022 (Audited)</u>			
Financial assets			
Cash and bank balances	655	3,039	2,092
Trade and other receivables	905	2,025	618
Receivables from holding corporations/subsidiaries	151	1,640	600
Total financial assets	1,711	6,704	3,310
Financial liabilities			
Trade and other payables	(838)	(3,145)	–
Payable from holding corporations/subsidiaries	(151)	(1,640)	(600)
Total financial liabilities	(989)	(4,785)	(600)
Net financial assets	722	1,919	2,710
Less: Net financial assets denominated in the respective entities’ functional currency	(597)	(1,803)	(1,921)
Net currency exposure	125	116	789

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22. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

	NTD ’\$000	RMB ’\$000	USD ’\$000
<u>At 31 March 2023 (Unaudited)</u>			
Financial assets			
Cash and bank balances	443	2,764	4,986
Trade and other receivables	935	1,518	568
Receivables from holding corporations/subsidiaries	234	2,734	922
Total financial assets	1,612	7,016	6,476
Financial liabilities			
Trade and other payables	(421)	(3,296)	(51)
Payable from holding corporations/subsidiaries	(234)	(2,734)	(922)
Total financial liabilities	(655)	(6,030)	(973)
Net financial assets	957	986	5,503
(Less)/add: Net financial (assets)/liabilities denominated in the respective entities’ functional currency	(1,164)	(556)	(4,600)
Net currency exposure	(207)	430	903

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as NTD and RMB. If the NTD and RMB strengthened/weakened against the USD by 1% (2022: 1%) and 1% (2022: 1%) respectively with all other variables profit before tax, the effects arising from the net financial asset would decrease/increase the total return by USD2,230 (2022: USD2,410) respectively.

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22. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Equity price risk*

There was no significant equity price risk on the transactions of the Group.

(iii) *Cash flow and fair value interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group’s income is substantially independent of changes in market interest rates.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

Credit exposure to a new counterparty is restricted by credit limits that are approved by the Head of Credit Control based on ongoing credit evaluation. The counterparty’s payment pattern and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Head of Credit Control.

As the Group does not hold collateral, the maximum exposure to credit risk to each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The movements in credit loss allowance are as follows:

	As at 31 December		
	Contract assets	Trade receivables	Total
	USD’\$000	USD’\$000	USD’\$000
2022			
Balance at 1 January 2022 (Audited)	–	30	30
Asset acquired/originated	–	32	32
Effect of foreign exchange	–	(3)	(3)
Balance at 31 December 2022 (Audited)	–	59	59

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22. Financial risk management (continued)

(b) Credit risk (continued)

	As at 31 March		
2023			
Balance at 1 January 2023 (Audited)	–	59	59
Asset acquired/originated	–	58	58
Written off		(1)	(1)
Effect of foreign exchange	–	(1)	(1)
Balance at 31 March 2023 (Unaudited)	–	115	115

(i) *Trade receivables and contract assets*

The Group uses a loss rate methodology to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

In measuring the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as default if the counterparty fails to make contractual payments within 90 days when they fall due, and writes off the financial asset when a debtor fails to make contractual payments greater than 365 days past due. Where receivables are written off, the company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

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22. Financial risk management (continued)

(b) Credit risk (continued)

(i) *Trade receivables and contract assets* (continued)

The Group’s credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2022 and 31 March 2023 are set out in the provision matrix as follows:

	As at 31 December (Audited)				Total
	Without past due	0 to 30 days	31 days to 90 days	>91 days	
2022					
Expected loss rate	0.3%~ 11.77%	0.7%~ 11.97%	1.7%~ 12.77%	100%	
Total book value (USD’\$000)					
– Trade receivables	2,953	267	121	31	3,372
– Contract assets	2,975	–	–	–	2,975
	5,928	267	121	31	6,347
Loss allowance	18	8	2	31	59
	As at 31 March (Unaudited)				
2023					
Expected loss rate	0.4%~ 22.7%	0.78%~ 23.1%	2.23%~ 24.1%	100%	
Total book value (USD’\$000)					
– Trade receivables	2,585	106	48	85	2,824
– Contract assets	3,313	–	–	–	3,313
	5,898	106	48	85	6,137
Loss allowance	22	5	3	85	115

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22. Financial risk management (continued)

(b) Credit risk (continued)

(ii) *Cash and bank balance*

The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and the ability to close out market positions at a short notice. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and checking accounts and demand deposits as disclosed in Note 12.

Management monitors rolling forecasts of the liquidity reserve (comprises undrawn borrowing facility and cash and bank balances (Note 12) of the Group on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with the practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group’s liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these obligations, monitoring liquidity ratios and maintaining debt financing plans.

The table below analyses non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	As at 31 December (Audited)		
	Less than 1 year	Over 1 year	Total
	USD’\$000	USD’\$000	USD’\$000
2022			
<u>Non-derivative financial liabilities</u>			
– Trade and other payables	4,504	–	4,504
– Lease liabilities (include current and non-current)	966	1,989	2,955
	966	1,989	2,955

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22. Financial risk management (continued)

(c) Liquidity risk (Continued)

	As at 31 March (Unaudited)		
2023			
<u>Non-derivative financial liabilities</u>			
– Trade and other payables	3,952	–	3,952
– Lease liabilities (include current and non-current)	984	1,782	2,766
	984	1,782	2,766

(d) Capital risk

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payments, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The Group monitors capital on the basis of the debt ratio. This ratio is calculated as total liabilities divided by total assets.

	As at 31 December 2022 USD’\$000 (Audited)	As at 31 March 2023 USD’\$000 (Unaudited)
Total liabilities	8,354	7,740
Total assets	19,484	22,596
Debt ratio	43%	34%

(e) Fair value measurements

The Group did not hold financial and non-financial instruments measured at fair value as at 31 December 2022 and 31 March 2023.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

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22. Financial risk management (continued)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments are as follows:

	As at 31 December 2022 USD’\$000 (Audited)	As at 31 March 2023 USD’\$000 (Unaudited)
Financial assets		
<u>Financial assets at amortised cost</u>		
Cash and cash equivalents	6,057	9,091
Trade and other receivables	3,506	2,923
Other non-current assets-refundable deposits	247	247
	9,810	12,261
Financial liabilities		
<u>Financial liabilities at amortised cost</u>		
Trade and other payables	4,504	3,952
Lease liabilities		
– Current	896	918
– Non-current	1,901	1,706
	7,301	6,576

23. Immediate and ultimate holding corporations

The Company’s immediate holding corporation is Acer Gaming Inc., incorporated in Taiwan. The ultimate holding corporation is Acer Incorporated, incorporated in Taiwan.

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24. Related party transactions

Names of related parties and relationship

Names of related parties

All the directors, President and main management

Relationship with the Company

The Group’s key management and governance

Significant related party transactions

The Group had no related party transactions for the financial years ended 31 March 2022 and 2023 respectively.

Key management personnel compensation

	Three-month period ended 31 March	
	2022	2023
	USD’\$000 (Unaudited)	USD’\$000 (Unaudited)
Short-term employee benefits	99	105

25. Segment information

The chief operating decision maker (“CODM”) has been identified as the Executive Directors of the Company who review the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

The Group is principally engaged in art outsourcing. Information reported to CODM, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group. For the financial years ended 31 March 2022 and 2023, there are three operating segments based on business type: (1) Original Equipment Manufacturer (“Art Outsourcing Segment”), (2) Original Design Manufacturer (“Game Development Segment”) and (3) Global Publishing and Others. The CODM assess performance of the operating segments based on a measure of profit/(loss) before income tax.

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25. Segment information (continued)

Information about the disaggregation of the Group’s revenue from external customers by the business type of sales customers and non-current assets by the business type of assets is as follows:

	Three-month period ended 31 March 2022 (Unaudited)			
	Art Outsourcing Segment USD’\$000	Game Development Segment USD’\$000	Global Publishing and Others USD’\$000	Total USD’\$000
Segment revenue				
Service revenue	5,343	631	–	5,974
Licencing and product revenue	–	–	85	85
	5,343	631	85	6,059
Profit before income tax	683	(6)	(181)	496
Significant non-cash items				
Depreciation of property, plant and equipment	73	14	–	87
Depreciation of right-of-use assets	212	38	–	250
Segment assets	16,255	1,920	259	18,434
Included in the segment assets:				
Trade receivables and other receivables	3,255	378	–	3,633
Property, plant and equipment	1,430	166	–	1,596
Right-of-use assets	1,773	206	–	1,979
Segment liabilities	6,184	730	98	7,012

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25. Segment information (continued)

Information about the disaggregation of the Group’s revenue from external customers by the business type of sales customers and non-current assets by the business type of assets is as follows: (continued)

	Three-month period ended 31 March 2023 (Unaudited)			
	Art Outsourcing Segment USD’\$000	Game Development Segment USD’\$000	Global Publishing and Others USD’\$000	Total USD’\$000
Segment revenue				
Service revenue	5,198	1,201	–	6,399
Licencing and product revenue	–	–	26	26
	5,198	1,201	26	6,425
Profit before income tax	99	345	(208)	236
Significant non-cash items				
Depreciation of property, plant and equipment	120	19	–	139
Depreciation of right-of-use assets	234	51	–	285
Segment assets	18,281	4,315	–	22,596
Included in the segment assets:				
Trade receivables and other receivables	2,550	602	–	3,152
Property, plant and equipment	1,910	451	–	2,361
Right-of-use assets	2,095	494	–	2,589
Segment liabilities	6,262	1,478	–	7,740

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25. Segment information (continued)

Revenue from external customers and non-current assets were classified based on the customers’ and assets’ locations, respectively. Geographical information is as follows:

	Three-month period ended 31 March	
	2022 Revenue USD’\$000 (Unaudited)	2023 Revenue USD’\$000 (Unaudited)
PRC and Hong Kong	2,682	2,632
Taiwan	1,070	1,296
Korea	1,079	1,239
United States	679	994
Other	549	264
	6,059	6,425
	6,059	6,425
	As at 31 December 2022 Non-current assets USD’\$000 (Audited)	As at 31 March 2023 Non-current assets USD’\$000 (Unaudited)
PRC and Hong Kong	3,100	2,947
Taiwan	2,614	2,532
Other	6	54
	5,720	5,533
	5,720	5,533

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25. Segment information (continued)

Details of the revenue from individual customers that exceed 10% of net sale revenue in the interim condensed statement of comprehensive income for the reported period are as follows:

	Three-month period ended 31 March	
	2022 USD’\$000 (Unaudited)	2023 USD’\$000 (Unaudited)
Customer W	536	837

26. Outbreak of Coronavirus Disease (“COVID-19”)

Globally, the governments of multiple countries have undertaken drastic actions to limit the spread of COVID-19 including, safe distancing measures, lockdowns, travel restrictions and various travel advisories since the outbreak of COVID-19. Recently, many of these countries have lifted the restrictions.

As the Group is operating in a gaming industry, its operation has not been materially affected by COVID-19.

27. Events occurring after the reporting period

Save as disclosed elsewhere in these financial statements, the following events occurred after 31 March 2023:

On 17 May 2023, the Company declared and issued scrip dividends where it issued 5,000,000 ordinary Shares of a par value of NTD10 per Share by capitalising its retained profits of USD1,623,060.

On 1 November 2023, the Company repurchased and cancelled its previously issued 22,446,591 ordinary shares with par value of NTD10 per share from the existing shareholders for a consideration of USD7,418,000. The consideration was fulfilled via issuance of 239,698,275 ordinary shares with par value of SGD0.04 per share.

28. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Winking Studios Limited on 8 November 2023.