

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



SINO-ENTERTAINMENT TECHNOLOGY HOLDINGS LIMITED

新娛科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6933)

2021 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Sino-Entertainment Technology Holdings Limited (the “**Company**”) is pleased to announce the audited results of the Company and its subsidiaries (together referred to as the “**Group**”) for the year ended 31 December 2021 (the “**Annual Results**”). This announcement, containing full text of the 2021 Annual Report of the Company, complies with the relevant disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed with the Company’s management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the consolidated financial statements of the Group for the year ended 31 December 2021.

ANNUAL GENERAL MEETING (“AGM”)

The AGM of the Company will be held in Hong Kong on Friday, 24 June 2022. Notice of the AGM will be issued and disseminated to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022, both days inclusive, during which period no transfer of shares in the Company will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 20 June 2022.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is available on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and of the Company at www.sinotecw.com (the "Websites").

The Company's 2021 Annual Report will be delivered to the shareholders of the Company and will be available on the Websites.

By order of the Board
Sino-Entertainment Technology Holdings Limited
Sui Jiaheng
Chairman and Executive Director

Hong Kong, 29 March 2022

As at the date of this announcement, the Board comprises Mr. Sui Jiaheng and Mr. Li Tao as executive directors; Mr. Huang Zhigang and Mr. He Shaoning as non-executive directors; and Ms. Zhang Chunmei, Mr. Deng Chunhua and Ms. Chen Nan as independent non-executive directors.

CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	4
Report of the Directors	9
Corporate Governance Report	22
Environmental, Social and Governance Report	37
Biographical Details of Directors and Senior Management	58
Independent Auditor's Report	63
Consolidated Statement of Profit or Loss and Other Comprehensive Income	70
Consolidated Statement of Financial Position	71
Consolidated Statement of Changes in Equity	72
Consolidated Statement of Cash Flows	73
Notes to the Consolidated Financial Statements	74
Five-year Financial Summary	150
Glossary	151

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Sui Jiaheng (*Chairman*)
Mr. Li Tao

Non-executive Directors

Mr. Huang Zhigang
Mr. He Shaoning

Independent non-executive Directors

Ms. Zhang Chunmei
Mr. Deng Chunhua
Ms. Chen Nan

BOARD COMMITTEES

Audit Committee

Ms. Zhang Chunmei (*Chairlady*)
Mr. Deng Chunhua
Ms. Chen Nan

Remuneration Committee

Mr. Deng Chunhua (*Chairman*)
Ms. Zhang Chunmei
Ms. Chen Nan

Nomination Committee

Mr. Sui Jiaheng (*Chairman*)
Ms. Zhang Chunmei
Mr. Deng Chunhua

COMPANY SECRETARY

Mr. Yuen Chi Wai, *FCPA*

AUTHORISED REPRESENTATIVES

Mr. Sui Jiaheng
Mr. Yuen Chi Wai

AUDITORS

Asian Alliance (HK) CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors

COMPLIANCE ADVISER

Huajin Corporate Finance (International) Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite No. 2, 3/F Sino Plaza
255 Gloucester Road
Causeway Bay, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 3-4, Floor 8, Fortune Plaza
No. 4 Deshan Road, Luo Cheng Dongmen Town
Luo Cheng Mulao Autonomous County
Hechi City
Guangxi, China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Postal Savings Bank of China

COMPANY'S INVESTOR RELATIONSHIP WEBSITE

<http://www.sinotecw.com/>

STOCK CODE

6933

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of the Company, I hereby present the annual report of the Company and its subsidiaries (collectively referred as the “**Group**”) for the year ended 31 December 2021.

The Group is an integrated game publisher and developer in China with a focus on publishing mobile games in the market of China. We are committed to bringing quality and interactive gameplay experience to game players by drawing upon our experience and expertise in the mobile game industry together with our sound understanding with our publishing partners and game players gained over the years of our operations.

Review

During the Year, the Group was not able to launch and publish any new self-developed game because of the prolonged pre-approval process from the National Press and Publication Administration in China (the “**NPPA**”), which has led to a significant reduction in revenue. Total revenue of the Group for the Year has decreased by 56.6% to approximately RMB104,267,000.

The Group recorded a net loss of approximately RMB2,950,000 for the Year, as compared with the net profit of approximately RMB56,285,000 for the year ended 31 December 2020. Such net loss was mainly attributable to the substantial decrease in revenue from the publishing of self-developed games. In addition, compared with the decrease in revenue from publishing of self-developed games, the decrease in revenues from both the publishing of third parties games and the sales of customised games to third parties in FY2021 was also to a lesser extent contributed to such net loss.

Furthermore, the Group has reached a cooperation arrangement with DeFiner Limited, a minority shareholder of a subsidiary of the Group, to work together and build the blockchain technology business, including the development of blockchain games and decentralised finance service platform outside China.

Outlook

Looking ahead, the Group will continue to navigate in the fast-changing gaming industry and focus on developing businesses with high growth potential in China and abroad. While there are likely some turbulences for the gaming market in China in the short run, the Group will certainly navigate through to success with the established market experience. In addition, the Group is also optimistic on the opportunity to build scalability in blockchain games and metaverse outside China.

Acknowledgements

On behalf of the Board, I would like to express my utmost gratitude to the staff of the Group for their dedication and contribution over the past year.

Sui Jiaheng

Chairman

Hong Kong, 29 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Revenue

Revenue of the Group for the Year was approximately RMB104,267,000, representing a decrease of approximately 56.6% over approximately RMB240,426,000 for the year ended 31 December 2020. Revenue performances in different business segments for the Year were further analysed below:

Publishing self-developed games

For the Year, the Group had one in-house mobile game with its own proprietary titles, contributing publishing revenue of approximately RMB3,209,000 (for the year ended 31 December 2020: approximately RMB87,723,000).

Publishing third-party games

For the Year, the Group as a co-publisher provided publishing services for 65 third-party games (for the year ended 31 December 2020: 139 third-party games), contributing co-publishing revenue of approximately RMB92,567,000 (for the year ended 31 December 2020: approximately RMB123,458,000).

Development and sales of customised software and games

For the Year, the Group conducted development and sales of 2 customised software and games to third parties, contributing sales revenue of approximately RMB8,491,000 (for the year ended 31 December 2020: approximately RMB29,245,000).

Gross profit and gross profit margin

Gross profit for the Year was approximately RMB28,806,000, representing a decrease of approximately 74.3% over approximately RMB111,868,000 for the year ended 31 December 2020. Gross profit margin for the Year was 27.6%, decreased from 46.5% for the year ended 31 December 2020, primarily due to the substantial decrease of segment revenue from publishing of self-developed games which produced a higher gross profit margin.

Other income

Other income for the Year was approximately RMB6,817,000, representing an increase of approximately 258.6% over approximately RMB1,901,000 for the year ended 31 December 2020, which was mainly due to the rewards from the government for enterprise listing, enterprise development and enterprise of high and new technology activities which was one-off in nature.

Other gains and losses

Other losses for the Year were approximately RMB975,000 (for the year ended 31 December 2020: approximately RMB4,642,000). Such losses were mainly consisted of net foreign exchange loss.

Staff Costs

Staff costs comprised mainly of salaries, wages and other staff benefits. The Group's staff costs for the Year amounted to approximately RMB8,623,000 (for the year ended 31 December 2020: approximately RMB14,083,000). The decrease in staff costs was mainly due to the decrease in number of staff.

Administrative Expenses

Administrative expenses comprised mainly of consumables costs, depreciation and auditors' remuneration. The Group's administrative expenses for the Year amounted to approximately RMB19,741,000 (for the year ended 31 December 2020: approximately RMB20,775,000). The decrease in administrative expenses was mainly due to decrease in salaries with lesser headcount.

Impairment losses on trade and other receivables

Impairment assessment under Expected Credit Loss (“ECL”) model on trade receivables with significant balances and credit-impaired individually and/or collectively is performed. Except for significant or credit impaired balances, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix by debtors internal credit rating and the historical observed default rates adjusted by forward-looking estimates. Impairment loss of approximately RMB2,163,000 (2020: approximately RMB195,000) was recognised during the Year. For other receivables, the Directors make periodic individual assessment on their recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Directors believe that there is no significant increase in credit risk of other receivables since initial recognition and the Group provided impairment loss based on ECL model. Impairment loss of approximately RMB429,000 (2020: Nil) was recognised on other receivables during the Year.

Listing Expenses

Listing expenses represent non-recurring expenses incurred in connection with the Listing of the Company's shares on the Stock Exchange. No listing expense was incurred during the Year (for the year ended 31 December 2020: approximately RMB9,680,000).

Taxation

Under the current laws of the Cayman Islands, the Group is not subject to income tax or capital gains tax in the Cayman Islands. Additionally, dividend payments made by the Group are not subject to withholding tax in the Cayman Islands.

No Hong Kong Profits Tax has been provided for as the Group did not have any assessable profit in Hong Kong for the Year.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and the Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Pursuant to the relevant regulations issued by the State Administration of Taxation, the Ministry of Finance, and/or other government authorities, software enterprises shall be exempted from EIT for two years from the first profit-making year and shall be taxed at half of the statutory tax rate from the third to the fifth year. One of the Group's PRC subsidiaries had its first qualified profit-making year in 2017 and the tax rates were 25%, 0%, 12.5%, 12.5%, 12.5% in the respective years from 2016 to 2020. The same subsidiary was accredited to “High and New Technology Enterprise” in December 2020 and is subject to tax rate of 15% during the Year. The subsidiary was accredited to “High and New Technology Enterprise” in December 2020 and is subject to tax rate of 15% for 2021. During the year ended 31 December 2021, Dinglian Technology (as defined below) incurred a tax loss after taking into account the Super Deduction (as defined below), accordingly no EIT is recognised (2020: EIT is recognised as incurred a tax profit after taking into account the Super Deduction).

Management Discussion and Analysis

Pursuant to Cai Shui [2011] No. 112 issued by State Administration of Taxation and the Ministry of Finance, from 1 January 2010 to 31 December 2020, a newly established enterprise, which complies with the “Announcement of the preferential enterprise income tax in respect of the two special Kashi and Khorgos economic development zones in Xinjiang Province”, is entitled to an EIT exemption for five years, commencing from the first operating revenue-making year. Two of the Group’s subsidiaries which are incorporated in Khorgos economic development zones in Xinjiang Province, are entitled to such EIT exemption for the years 2020 and 2021. The Group’s two other subsidiaries which are newly incorporated during the year ended 31 December 2020 in Khorgos economic development zones in Xinjiang Province, are entitled to such EIT exemption for the years 2020 and 2021.

Pursuant to Cai Shui [2011] No. 58 issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation, National Development and Reform Commission Order No.15, Announcement of the State Administration of Taxation [2012] No. 12 and Announcement of the State Administration of Taxation [2015] No. 14, from 1 January 2011 to 31 December 2020, a newly established enterprise which complies with these policies is entitled to 15% preferential tax rate for the period from date of establishment to 31 December 2020. As one of the Group’s subsidiaries which established in 2017, complied with the above policies, it was entitled to 15% preferential EIT rate for the year 2019. In 2020, the subsidiary also fulfilled the requirement of small and micro enterprises and is subject to 20% preferential EIT pursuant to Cai Shui [2019] No. 13 issued by Ministry of Finance and 40% tax-free exemption pursuant to Gui Zheng Fa [2014] No. 5 issued by People’s Government of Guangxi Zhuang Autonomous Region and it selected to apply the small and micro enterprise preferential EIT in years 2020 and 2021.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (the “**Super Deduction**”). The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits for the reporting periods.

For the Year, income tax expense was approximately RMB394,000 (for the year ended 31 December 2020: approximately RMB644,000).

(Loss)/Profit for the Year

The Group’s loss for the Year amounted to approximately RMB2,950,000 (for the year ended 31 December 2020: profit of approximately RMB56,285,000). The reduction in profit was mainly attributable to the substantial decrease in revenue from the publishing of self-developed games as a result of the failure of launch any new self-developed game during the Year due to the prolonged approval process of NPPA. The decrease in revenues from both the publishing of third parties games and the sales of customised games to third parties for the Year also to a lesser extent contributed to such net loss.

Liquidity and Financial Resources

During the Year, the Group funds its operations mainly with cash generated from its operations. As at 31 December 2021, the Group’s net current assets was approximately RMB254,943,000 (31 December 2020: approximately RMB253,230,000), while the Group’s cash and cash equivalents as at 31 December 2021 was approximately RMB88,256,000 (for the year ended 31 December 2020: approximately RMB106,196,000).

As at 31 December 2021, the Group did not have any bank borrowings (31 December 2020: nil).

Gearing ratio is calculated by dividing total debts by total equity as at the end of the Year. As the Group did not have any debts, the gearing ratio was insignificant at the end of the Year (31 December 2020: insignificant).

Credit Risk

The Group uses provision matrix to calculate ECL for the trade receivables and calculates the ECL for the other receivables by grouping the counterparties with similar nature under general approach. The provision of ECL is sensitive to changes in estimates. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could lead to increased credit default rates.

Other than the higher risk of credit default with the prolonged pandemic, the Directors consider that the effect of COVID-19 pandemic on the Group's operations and the financial position is not significant.

Currency Risk

The functional currency of the Group's operating subsidiaries is Renminbi as substantially the Group's revenue is in Renminbi. The Group does not expect to face any significant currency risk that might have a material impact on the operating results of the Group. Currently, the Group does not have any hedging policy for foreign currencies. Nevertheless, the Group's management will continue to monitor the foreign currency risk and will consider hedging significant foreign currency risk when necessary.

Capital Commitments

As at 31 December 2021, other than the unpaid registered capital for the subsidiaries as disclosed in note 35 in the Notes to the Consolidated Financial Statements, the Group did not have any material capital commitments (31 December 2020: nil).

Pledged Assets and Contingent Liabilities of the Group

As at 31 December 2021, the Group had not pledged any of its assets, and the Group did not have any contingent liabilities.

Capital Structure

The Group's capital structure has remained unchanged during the Year. The Group's capital structure comprises equity attributable to owners of the Company (including issued share capital and reserves). The Board reviews the Group's capital structure on a regular basis. As part of the review, the Board has considered the costs of capital and risks relating to various types of capital.

Significant Acquisitions and Disposals

During the Year, the Group did not have any significant acquisitions and disposals relating to subsidiaries, associates and joint ventures. As disclosed in the Company's voluntary announcement dated 11 November 2021, DeFiner Limited ("DeFiner"), an independent third party to the Company, entered into a subscription agreement with SimpliFi Limited (previously named Luocheng Dinglian (International) Limited, "SimpliFi"), the Company's indirect wholly-owned subsidiary, to subscribe for 20,176,471 new ordinary shares of SimpliFi, representing approximately 49% of the enlarged issued share capital of SimpliFi, at a consideration of HK\$1,442,377, which constituted a deemed disposal of SimpliFi. The deemed disposal has been completed on 26 January 2022.

Management Discussion and Analysis

Significant Investments

As at 31 December 2021, the Group did not have any significant investments.

Employees and Remuneration Policy

As of 31 December 2021, the Group employed 46 (31 December 2020: 118) employees. Employees' remunerations are determined with reference to factors such as qualifications, duties, contributions and experience.

The Group also provides internal training to employees when necessary and other staff benefits which include Share Option Scheme (as defined below) and Share Award Plan (as defined below).

Use of Proceeds

The net proceeds from the Global Offering received by the Company (the "Net Proceeds"), after deducting the underwriting commission, fees and estimated expenses payable by the Company in connection with the Global Offering, amounted to approximately HK\$90.7 million (based on the final Offer Price (as defined in the Prospectus) of HK\$1.63 per Offer Share (as defined in the Prospectus)). During the Year, the Company has changed the use of the Net Proceeds. Please refer to the announcement issued by the Company on 16 July 2021 for details. The following table sets forth the status of the use of the Net Proceeds up to 31 December 2021:

	Intended utilisation of Net Proceeds as disclosed in the Prospectus HK\$ million	Utilised Net Proceeds before the change of use on 16 July 2021 HK\$ million	Unutilised Net Proceeds after the change of use on 16 July 2021 HK\$ million	Utilised Net Proceeds from 16 July 2021 to 31 December 2021 HK\$ million
Enhance our game development capabilities and expand our game portfolio	30.0	18.7	11.3	11.3
Strengthen our publishing capabilities	41.8	28.2	32.5	32.5
Establish an integrated game distribution platform	12.4	—	N/A	N/A
Expand our geographic coverage and build international user base	6.5	—	N/A	N/A
	<u>90.7</u>	<u>46.9</u>	<u>43.8</u>	<u>43.8</u>

All Net Proceeds have been fully utilised as at 31 December 2021.

Outlook

Significant reduction in revenue was inevitable with the prolonged pre-approval process from the NPPA, causing the delay in launching of the Group's self-developed games. With the fast-changing nature of the gaming industry, the delay in getting pre-approval had a great impact to the Group's operation. The Group strives to shorten the production lead time by engaging third party subcontractors for artistic solutions and music production which would develop games in a faster rate and with a better quality.

The continual prolonged launching pre-approval process from the NPPA and the authority's restriction access policy for the minors to play on-line games cast uncertainty to the mobile gaming industry in the PRC. At the same time, there are numerous recent events related to the gaming industry outside the PRC with the fast evolving block-chain games, NFTs, etc. The Group would adhere with the prevailing applicable policies and review the Group's business strategy regularly to capture business opportunities in the PRC and abroad.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report together with the audited financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Group is principally engaged in mobile game publishing as well as development and sale of customised software and mobile games.

SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2021 are set out in note 34 in the Notes to the Consolidated Financial Statements.

FINANCIAL STATEMENTS

The profit of the Group for the Year and the Group's financial position as at 31 December 2021 are set out in the financial statements on pages 70 to 149 of this annual report.

DIVIDENDS

The Board does not recommend any distribution of final dividend for the Year (2020: nil).

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB104.4 million (2020: RMB104.4 million). Details of the reserves of the Company as at 31 December 2021 are set out in note 36 in the Notes to the Consolidated Financial Statements.

CHARITABLE DONATIONS

The Group did not have any charitable donation during the Year, charitable donations made by the Group during the year ended 31 December 2020 amounted to approximately RMB466,000.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Year are set out in note 26 in the Notes to the Consolidated Financial Statements.

DIRECTORS

The Directors during the Year and up to the date of this annual report are:

Executive Directors

Mr. Sui Jiaheng (*Chairman*)
Mr. Li Tao (*appointed on 15 April 2021*)
Mr. Li Haijun (*resigned on 15 April 2021*)
Mr. He Shaoning (*redesignated as non-executive Director on 15 April 2021*)

Non-executive Directors

Mr. Huang Zhigang
Mr. He Shaoning (*appointed on 15 April 2021*)

Independent non-executive Directors

Ms. Zhang Chunmei
Mr. Deng Chunhua
Ms. Chen Nan

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

Each of the executive Directors had entered into a service contract with the Company for an initial term of three years.

The Company has entered into an appointment letter with each of the non-executive Directors and independent non-executive Directors for an initial term of three years.

All the service contracts and appointment letters of the Directors are automatically renewed upon expiration and may be terminated by either party with a three-month's prior written notice.

In accordance with article 84 of the Company's articles of association (the "**Articles of Association**"), Mr. He Shaoning, Ms. Zhang Chunmei and Ms. Chen Nan will retire from the Board by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out on pages 58 to 62 of this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the contractual arrangements described under "Connected transactions" below, there was no transaction, arrangement or contract of significance to which the Company, any of its holding companies, or any of its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long Positions in the Shares of the Company

Name of Director	Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company ⁽¹⁾
Mr. Sui Jiaheng ⁽²⁾	Interest in a controlled corporation	158,900,000	39.73%
Mr. Huang Zhigang ⁽³⁾	Interest in a controlled corporation	22,740,000	5.68%

Notes:

- Based on 400,000,000 issued Shares as at 31 December 2021.
- Mr. Sui Jiaheng is the sole shareholder of Sun JH Holding Ltd. which holds 158,900,000 Shares. Therefore, Mr. Sui is deemed to be interested in Sun JH Holding Ltd.'s interest in the Shares pursuant to the SFO.
- Mr. Huang Zhigang is the sole shareholder of Together Win Capital (Holdings) Co., Ltd. which, pursuant to the SFO, is a control entity of HX Tech Holdings Limited and LYZ Tech Holding Ltd.. HX Tech Holdings Limited and LYZ Tech Holding Ltd. together hold in aggregate 22,740,000 Shares. Therefore, Mr. Huang Zhigang is deemed to be interested in Together Win Capital (Holdings) Co., Ltd.'s interest in the Shares pursuant to the SFO.

Long Positions in Associated Corporation

Luocheng Mulao Autonomous County Dinglian Technology Company Limited (羅城仫佬族自治縣頂聯科技有限責任公司) (“Dinglian Technology”)

Name of Director	Nature of interest	Approximate percentage of interest in the issued share capital of associated corporation
Mr. Sui Jiaheng (<i>Note</i>)	Beneficial interest	50%

Note: Mr. Sui Jiaheng holds 50% of the equity interest of Dinglian Technology as part of the contractual arrangements to enable the Company to maintain and exercise control over Dinglian Technology.

Save as disclosed above, as at 31 December 2021, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time was the Company, or any of its holding companies and subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to any Director or chief executive of the Company, as at 31 December 2021, the persons or corporations (other than the Directors or chief executives of the Company) who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, were as follows:

Long Positions in the Shares of the Company

Name	Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company ⁽¹⁾
Sun JH Holding Ltd. ⁽²⁾	Beneficial interest	158,900,000	39.73%
Li Wei ⁽²⁾	Interest of spouse	158,900,000	39.73%
Together Win Capital (Holdings) Co., Ltd. ⁽³⁾	Interest in controlled corporations	22,740,000	5.68%

Notes:

- Based on 400,000,000 issued Shares as at 31 December 2021.
- Ms. Li Wei is the spouse of Mr. Sui Jiaheng. By virtue of the SFO, Ms. Li Wei is deemed to be interested in the same number of Shares in which Mr. Sui Jiaheng is deemed to be interested; Mr. Sui Jiaheng is the sole shareholder of Sun JH Holding Ltd. Therefore, Mr. Sui Jiaheng is deemed to be interested in Sun JH Holding Ltd.'s interest in the Shares, pursuant to the SFO.
- Together Win Capital (Holdings) Co., Ltd. is, pursuant to the SFO, a control entity of HX Tech Holdings Limited and LYZ Tech Holding Ltd., which hold 12,960,000 Shares and 9,780,000 Shares, respectively. Together Win Capital (Holdings) Co., Ltd. is deemed to be interested in an aggregate of 22,740,000 Shares pursuant to the SFO.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any other person, other than Directors and the chief executive of the Company, who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders passed on 19 June 2020, the Company has adopted a share option scheme (the “**Share Option Scheme**”) to recognise and acknowledge the contributions that eligible persons have had or may have made to the Group. The eligible participants of the Share Option Scheme include (a) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (b) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries; (c) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and (d) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group, the assessment criteria of which are: (aa) contribution to the development and performance of the Group; (bb) quality of work performed for the Group; (cc) initiative and commitment in performing his/her duties; and (dd) length of service or contribution to the Group.

The maximum number of Shares that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, i.e. 40,000,000 Shares. No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company’s issued share capital from time to time. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before the relevant acceptance date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of: (a) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (b) the average of the closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five Business Days immediately preceding the date of grant; and (c) the nominal value of a Share. The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered.

No option had been granted as at 31 December 2021 and up to the date of this annual report.

SHARE AWARD PLAN

Pursuant to the share award plan (the “**Share Award Plan**”) approved by the Board of Directors on 15 April 2021 and further amended on 8 December 2021, the purposes of the Share Award Plan are to recognise and reward the contributions by eligible persons (the “**Eligible Participants**”) to the growth and development of the Group, to give incentives to Eligible Participants in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. Eligible Participants of the Share Award Plan include (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary of the Company (the “**Subsidiary**”) or any entity in which any member of the Group holds any equity interest of the Company (the “**Invested Entity**”); (b) any non-executive director (including independent non-executive director) of the Company, any Subsidiary or any Invested Entity; (c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any Invested Entity; and (d) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group. The Board may, from time to time, grant awards to any Eligible Participant who the Board considers to have contributed or will contribute to the Group.

The total number of Shares that can be subscribed for and/or purchased by the Trustee by applying the Group contribution for the purpose of the Share Award Plan shall not exceed 10% of the then total number of issued Shares from time to time (without taking into account the number of Shares to be subscribed for). The Board of Directors shall not instruct the Trustee to subscribe for and/or purchase any Shares for the purpose of the Share Award Plan when such subscription and/or purchase will result in such threshold being exceeded. As amended on 8 December 2021, the total number of Shares which may be subject to an award or awards each time granted to a selected participant shall not in aggregate exceed 1% of the total number of issued Shares as at the date(s) of such award(s). Duration of the Share Award Plan is 10 years commencing from the its adoption date but may be terminated earlier as determined by the Board of Directors.

On 8 December 2021, the Board of Directors resolved to issue a total of 9,167,630 new Shares pursuant to the general mandate granted by the Shareholders at the annual general meeting of the Company held on 25 June 2021 (the “**AGM**”), under which the maximum number of Shares that can be allotted and issued are 80,000,000 Shares (being 20% of the total number of the issued shares of the Company as at the date of the AGM), for the purpose of awarding a total of 9,167,630 awarded shares (the “**Awarded Shares**”) to 42 selected participants under the Share Award Plan. As at 31 December 2021, the Awarded Shares had not been issued, which were subsequently issued on 10 January 2022.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in “Share Option Scheme” and “Share Award Plan” above, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company, or any of its holding companies and its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Year.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the paragraph headed “Connected Transactions” below, no contracts of significance were entered into between the Company or any of its subsidiaries and any controlling Shareholders or any of these subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by any controlling Shareholders or any of these subsidiaries.

CONNECTED TRANSACTIONS

During the Year, no related party transactions disclosed in note 28 in the Notes to the Consolidated Financial Statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

Contractual Arrangements

Background

On 11 December 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the “**FITE Regulations**”), which were amended on 10 September 2008 and 6 February 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the “**Qualification Requirements**”). Currently, none of the applicable PRC laws, regulations or rules provided clear guidance or interpretation on the Qualification Requirements. Therefore, in order for the Company to be able to carry on its business in the PRC, the Group has entered into a series of contractual arrangements (the “**Contractual Arrangements**”) to enable the Company to exercise and maintain control over operations of the PRC Operating Entities and to consolidate these companies’ financial results into the Company’s results under IFRSs as if they are wholly-owned subsidiaries of the Company.

Despite the lack of clear guidance or interpretation on the Qualification Requirements, the Group has taken and plan to continue to take specific steps to comply with the Qualification Requirements.

Up to the date of this annual report, there is no further update in relation to the Qualification Requirements. The Contractual Arrangements which were in place during the Year are as follows:

1. the exclusive option agreement dated 7 November 2018, pursuant to which Khorgos Entertainment Information Technology Company Limited (霍爾果斯娛科信息技術有限公司) (“**Khorgos Entertainment**”) was granted an irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interests in Dinglian Technology, and an irrevocable and exclusive right to purchase from Dinglian Technology all or any part of its assets, at a nominal price, unless the relevant governmental authorities request that another amount be used as the purchase price and in which case the purchase price shall be such amount (the “**Exclusive Option Agreement**”);
2. the exclusive business cooperation agreement dated 7 November 2018, pursuant to which Dinglian Technology agreed to, among other things, engage Khorgos Entertainment as its exclusive provider of business support, technical and consulting services in exchange for service fee (the “**Exclusive Business Cooperation Agreement**”);
3. the share pledge agreement dated 7 November 2018, pursuant to which the Registered Shareholders pledged all of their equity interests in Dinglian Technology to Khorgos Entertainment as collateral security for all of their payments due to Khorgos Entertainment and to secure performance of all obligations of Dinglian Technology and the Registered Shareholders under the Contractual Arrangements;
4. the shareholders’ rights entrustment agreement dated 7 November 2018 in relation to the entrustment of shareholders’ rights of Dinglian Technology and the irrevocable powers of attorney all dated 7 November 2018 executed by the Registered Shareholders, authorising Khorgos Entertainment and any person designated by it to, among other things, exercise all of their rights as registered shareholders of Dinglian Technology; and
5. the undertakings dated 7 November 2018 executed by the spouses of each of the Registered Shareholders.

During the Year, (i) there were no new contractual arrangements entered into, renewed or reproduced between the Group and the PRC Operating Entities, (ii) there were no material changes in the Contractual Arrangements or the circumstances under which they were adopted, and (iii) none of the structured contracts under the Contractual Arrangements mentioned above has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements have been removed. The Company will unwind the Contractual Arrangements as soon as the laws allow the business of the PRC Operating Entities to be operated without the Contractual Arrangements.

For the Year, the services provided by Khorgos Entertainment to the PRC Operating Entities, including the provision of technical and management services, amounted to approximately RMB13.7 million. The revenue and net profit of the PRC Operating Entities subject to the Contractual Arrangements amounted to approximately RMB103 million and RMB11 million for the Year, respectively. The total assets and total liabilities of the PRC Operating Entities subject to the Contractual Arrangements amounted to approximately RMB234 million and RMB13 million as at 31 December 2021, respectively.

Risks associated with the Contractual Arrangements

For risks associated with the Contractual Arrangements, please see the section headed “Risk factors — Risks relating to our corporate structure” in the Prospectus for details.

Waiver from the Stock Exchange

The Stock Exchange has granted a waiver to the Company from strict compliance with the connected transactions requirements under Chapter 14A of the Listing Rules in respect of the Contractual Arrangements. For details, please see “Connected transactions” in the Prospectus.

Annual review by the independent non-executive Directors and auditor

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

1. the transactions carried out during the Year had been entered into in accordance with the relevant provisions of the Contractual Arrangements;
2. no dividends or other distributions had been made by the PRC Operating Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group;
3. other than the Contractual Arrangements, no new contracts had been entered into, renewed and/or reproduced between the Group and the PRC Operating Entities during the Year; and
4. the Contractual Arrangements had been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and had been entered into according to the agreements governing them which are fair and reasonable so far as the Group is concerned, and in the interest of the Company and its Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to report on the Group’s continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules, with an emphasis of matter paragraph in relation to the fact that the Company is not required to establish and announce an annual cap in respect of the continuing connected transactions in connection with the Exclusive Business Cooperation Agreement for the year ended 31 December 2021. The auditor also concluded in the letter that nothing has come to their attention that causes them to believe that (a) the continuing connected transactions disclosed above have not been approved by the Board; (b) the continuing connected transactions disclosed above were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (c) any dividends or other distributions have been made by Dinglian Technology to their equity interest holders with respect to the transaction in connection with the Exclusive Option Agreement. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange in accordance with Rule 14A.57 of the Listing Rules.

INTEREST IN COMPETING BUSINESS

The Directors confirm that none of the controlling Shareholders or the Directors and their respective close associates (as defined in the Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the Year and up to the date of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

EMOLUMENT POLICY

The Remuneration Committee (as defined below) is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The remunerations of the Directors are determined with reference to market terms, seniority, experiences, duties and responsibilities assumed by each Director as well as their individual performance. The Directors' remuneration, including the Directors' fees, is subject to the Shareholders' approval at general meeting. Other emoluments are recommended by the Remuneration Committee (as defined below) for the Board's approval, having regard to the operating results of the Group, individual performance and comparable market statistics.

PENSION SCHEME

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group also operates a Mandatory Provident Fund Scheme ("**the MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000.

The Group has no other material obligation for the payment of retirement benefits beyond the annual contributions described above.

EQUITY-LINKED AGREEMENT

Save as disclosed in the sections headed "Share Option Scheme" and "Share Award Plan" above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Year or subsisted at the said period.

BUSINESS REVIEW

A business review of the Group for the Year is set out in the section headed “Management Discussion and Analysis” from pages 4 to 8 of this annual report.

EVENTS AFTER REPORTING PERIOD

On 11 November 2021, SimpliFi Limited (previously named Luocheng Dinglian (International) Limited, “SimpliFi”), an indirect wholly-owned subsidiary of the Company, and DeFiner entered into a subscription agreement, pursuant to which SimpliFi conditionally agreed to allot and issue to DeFiner an aggregate of 20,176,471 new ordinary shares of SimpliFi, representing approximately 49% of the enlarged issued share capital of SimpliFi, at a consideration of HK\$1,442,377. The deemed disposal of equity interest in SimpliFi has been completed on 26 January 2022.

On 10 January 2022, 9,167,630 new Shares were issued in accordance with the Share Award Plan, therefore the total issued shares of the Company were increased to 409,167,630 Shares.

Except for the above, there is no important event affecting the Group that had occurred since the end of the Year up to the date of this annual report.

CHANGE IN DIRECTORS’ INFORMATION

Pursuant to Rule 13.51B (1) of the Listing Rules, the changes of Directors’ information required to be disclosed are set out below:

Name of Director	Changes
Mr. Sui Jiaheng	<ul style="list-style-type: none">Appointed as director of Southeast Oriental Gaming Technology Pte. Ltd., a subsidiary of the Company, in August 2021Appointed as a director of Shenzhen Sino Entertainment Information Technology Company Limited (深圳新娛科信息技術科技有限公司), a subsidiary of the Company, in December 2021

PERMITTED INDEMNITY PROVISION

The Company’s Articles of Association provides that the directors shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses incurred or sustained by or by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company’s securities.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, aggregate sales attributable to the Group's largest and five largest customers were 31% (2020: 16.4%) and 87% (2020: 42.3%) of the Group's total sales respectively.

During the Year, aggregate purchases attributable to the Group's largest and five largest suppliers were 28% (2020: 20.9%) and 85% (2020: 58.9%) of the Group's total purchases respectively.

At no time during the Year, did a Director, his/her close associate(s) or a Shareholder, which to the knowledge of the Director owns more than 5% of the Company's share capital, have an interest in any of the Group's five largest customers and suppliers.

AUDITOR

Deloitte Touche Tohmatsu ("DTT") resigned as the auditor of the Company with effect from 29 September 2021 as the Company and DTT could not reach a consensus on the audit fee for the financial year ended 31 December 2021. Asian Alliance (HK) CPA Limited was appointed as auditor of the Company on 20 October 2021 to fill the vacancy occasioned by the resignation of DTT. Save as disclosed above, there has not been any change in the Company's auditors during the Year.

The consolidated financial statements for the Year have been audited by Asian Alliance (HK) CPA Limited, who shall retire in the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company is incorporated in the Cayman Islands with its shares listed on the main board of the Stock Exchange. The Group's subsidiaries are incorporated in Hong Kong and the PRC. The Group's operations are carried out by the Group's subsidiaries in China. Our establishments and operations accordingly shall comply with relevant laws and regulations in the Cayman Islands, Hong Kong and the PRC. During the Year, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float required under the Listing Rules during the Year and up to the date of this annual report.

BANK LOANS

The Group did not have any banking facility or outstanding loan as at 31 December 2021.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 150 of this annual report.

On behalf of the Board

Sui Jiaheng
Chairman

29 March 2022

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company is dedicated to the design, implementation and monitoring of the robust corporate governance and effective internal control system for the Group for the purpose of enhancing the corporate value and accountability, formulating effective strategies, developing sustainable business and safeguarding Shareholders' interests.

For the Year, the Board is of the view that the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules published by the Stock Exchange.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding Directors' securities transactions on the terms and the required standard as set out in the Model Code in Appendix 10 to the Listing Rules. The Group has made specific enquiries of all the Directors and they have confirmed that they have been complying with the required standard and the related code of conduct regarding Director's securities transactions throughout the Year up to the date of this report. As far as the Group is aware, none of the Directors has breached the required standard and the code of conduct regarding Director's securities transactions.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises seven Directors, consisting of two executive Directors, namely Mr. Sui Jiaheng and Mr. Li Tao, two non-executive Directors, namely Mr. Huang Zhigang and Mr. He Shaoning, and three independent non-executive Directors, namely Ms. Zhang Chunmei, Mr. Deng Chunhua and Ms. Chen Nan.

The composition of the Board is as follows:

Executive Directors

Mr. Sui Jiaheng (*Chairman*)

Mr. Li Tao (*appointed on 15 April 2021*)

Mr. Li Haijun (*resigned on 15 April 2021*)

Mr. He Shaoning (*redesignated as non-executive Director on 15 April 2021*)

Non-executive Directors

Mr. Huang Zhigang
 Mr. He Shaoning (*appointed on 15 April 2021*)

Independent non-executive Directors

Ms. Zhang Chunmei
 Mr. Deng Chunhua
 Ms. Chen Nan

The biographical information of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 58 to 62 of this annual report. For the financial year ended 31 December 2021, the Group has complied with the relevant Listing Rules regarding (i) appointment of at least three independent non-executive Directors, among whom at least one independent non-executive director has appropriate professional qualifications or accounting or related financial management expertise; (ii) independent non-executive Directors account for at least one-third of the Board; and (iii) independent non-executive Directors are the majority in the Audit Committee (as defined below) and the chairman of the committee is an independent non-executive Director.

For the Year, the Company has held seven Board meetings and will hold the upcoming annual general meeting in mid of 2022, to which all Directors have expressed their intention of attendance. The Board considers that it has fulfilled the principles and requirements set out in code provision C.5.1. The board meetings and the upcoming annual general meeting shall be chaired by the Chairman, Mr. Sui Jiaheng.

The attendance records of the Directors at the Board meetings held during the Year are as follows:

Name of Director	Number of Attendance/ Number of Board Meetings
Executive Directors	
Mr. Sui Jiaheng (<i>Chairman</i>)	7/7
Mr. Li Tao (<i>appointed on 15 April 2021</i>)	6/6
Mr. Li Haijun (<i>resigned on 15 April 2021</i>)	1/1
Mr. He Shaoning (<i>redesignated as non-executive Director on 15 April 2021</i>)	1/1
Non-executive Directors	
Mr. Huang Zhigang	7/7
Mr. He Shaoning (<i>appointed on 15 April 2021</i>)	6/6
Independent non-executive Directors	
Ms. Zhang Chunmei	7/7
Mr. Deng Chunhua	7/7
Ms. Chen Nan	7/7

Apart from regular Board meetings, the Chairman also held meetings with independent non-executive Directors only without the presence of other Directors during the Year.

Responsibilities and Accountabilities

The Board is committed to acting in the best interest of the Group and its Shareholders. It has the ultimate responsibilities for the Group's strategy formulation, business development, corporate governance, risk management and internal control systems, dividend policy, board diversity policy, shareholders' relationship, accounting policies and financial statements, and other functions and matters assigned to the Board as set out in the Listing Rules and Articles of Association of the Company.

Senior management of the Group is responsible for the daily management, the execution of Board's decision and plan, and the implementation of risk management and internal controls.

The Group has set out that significant matters, such as entering into major contracts and transaction, financial assistance and guarantee, are reserved to the decisions of the Board pursuant to the Articles of Association and internal policies of the Company.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Chairman and Chief Executive Officer

The Company has separated the roles and duties of Chairman of the Board and Chief Executive Officer ("CEO") which are held and exercised by Mr. Sui Jiaheng and Mr. Li Tao respectively.

The Chairman of the Board provides leadership for the Board, ensuring that Directors receive, in a timely manner, adequate information, which must be accurate, clear, complete and reliable, and the Board's effectiveness in setting and implementing the Group's strategy and corporate policies. The CEO is responsible for the implementation of the Board's decision, execution of the Group's business strategy and policies, day-to-day management and monitoring of the performance of Group.

The Chairman of the Board is responsible for chairing our Board meetings and the upcoming annual general meeting. He has also met with the independent non-executive Directors without the presence of other Directors.

Independence

The Board has reviewed the relationship among all Directors and is satisfied that they have no financial, business, family or other material/relevant relationship(s). As at the date of this report, each independent non-executive Director has made an annual independence confirmation, and the Board is satisfied that all independent non-executive Directors are independent and comply with the independence guidelines set out in Rule 3.13 of the Listing Rules.

Directors' Training and Continuous Professional Development

The Company is responsible for arranging and funding suitable training for our Directors in relation to their roles, functions and responsibilities.

It is our policy that all our new Directors shall be given a formal and comprehensive induction training at the time of first appointment to ensure they have a proper understanding of the Group's business and operations, and sufficient awareness of the director's duties and responsibilities under the Listing Rules and related regulations.

During the Year, all the Directors have received training on the topics of relevant Listing Rules conducted by our legal counsel.

The training records of the Directors during the Year are summarized as follows:

Directors	Type of Training <small>Note</small>
Executive Directors	
Mr. Sui Jiaheng	A
Mr. Li Tao	A
Mr. Li Haijun (<i>resigned on 15 April 2021</i>)	A
Non-Executive Directors	
Mr. Huang Zhigang	A
Mr. He Shaoning	A
Independent Non-Executive Directors	
Ms. Zhang Chunmei	A
Mr. Deng Chunhua	A
Ms. Chen Nan	A

Note:

Type of Training:

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

Key Terms of Appointment

All executive Directors, non-executive Directors and independent non-executive Directors are appointed for a specific term of three years, subject to re-election or earlier determination in accordance with the Company's Articles of Association and/or applicable laws and regulations.

At each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Devotion of Directors

The Directors are also required to disclose to the Company annually the number and nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved. The Board is satisfied that all our Directors have devoted sufficient time and attention to their duties and the Company's affairs.

BOARD COMMITTEES

The Board has established three Board committees, namely the audit committee (the “**Audit Committee**”), the remuneration committee (the “**Remuneration Committee**”) and the nomination committee (the “**Nomination Committee**”). All three Board committees are established, empowered and accountable for duties under relevant terms of references which are available on the Company’s and the Stock Exchange’s websites.

All Directors (including independent non-executive Directors) bring valuable business experience, knowledge, expertise and diversity from different areas to the Board, facilitating it to operate efficiently and effectively. They have full and timely access to all information of the Group and to the services and advice of the company secretary and senior management of the Company.

The Directors may, where appropriate, seek independent professional advice for performing their duties of the Group, at the expense of the Group. Directors shall disclose the details of their other duties to the Group and the Board of Directors regularly reviews the contributions of the Directors in the discharge of their duties with the Group.

Audit Committee

The Board has established the Audit Committee, composing of three independent non-executive Directors, namely Ms. Zhang Chunmei, Mr. Deng Chunhua and Ms. Chen Nan, in compliance with the code provision of the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the “**CG Code**”). Ms. Zhang Chunmei is the chairlady of the Audit Committee and has professional qualifications and experience in accounting and financial management as stipulated in the Listing Rules.

The Audit Committee’s terms of reference were adopted by the Company on 14 July 2020. The Audit Committee should meet at least twice a year and the necessary quorum shall be at least two, including an independent non-executive Director.

For the Year, the Audit Committee has fulfilled its main responsibilities including, but not limited to:

1. Review and monitor the relationship with the Company’s auditors, including being primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to raise any question of its resignation or dismissal;
2. Review of the Company’s financial information, including monitoring integrity of the Company’s financial statements and annual report and accounts, interim report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;
3. Oversight of the Company’s financial reporting system, risk management and internal control systems, including reviewing the Company’s financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company’s risk management and internal control systems; and

4. Performing the Company's corporate governance functions, particularly referring to:
- (a) Develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
 - (b) Review and monitor the training and continuous professional development of Directors and senior management of the Company;
 - (c) Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
 - (d) Develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and
 - (e) Review the Company's compliance with the corporate governance code and disclosure in the Corporate Governance Report of the Company.

For the Year, the Audit Committee has held two meetings and the attendance of the members is as follows:

Members of the Audit Committee	Attendance/ Number of meetings
Ms. Zhang Chunmei (<i>Chairlady</i>)	2/2
Mr. Deng Chunhua	2/2
Ms. Chen Nan	2/2

The chairlady of the Audit Committee or (if absent) the other member of the Audit Committee (must be an independent non-executive Director) should attend the annual general meeting of the Company and handle the Shareholders' enquiry on the activities and responsibilities related to the Audit Committee. The company secretary of the Company is also the secretary of the Audit Committee and is responsible for maintaining full minutes of the Audit Committee which are open for inspection at any reasonable time on reasonable notice by any of the Directors.

Remuneration Committee

The Board has established the Remuneration Committee, composing of three independent non-executive Directors, namely Mr. Deng Chunhua, Ms. Zhang Chunmei and Ms. Chen Nan, in compliance with the code provision of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. Mr. Deng Chunhua is the chairman of the Remuneration Committee.

The Remuneration Committee's terms of reference were adopted by the Company on 14 July 2020. The Remuneration Committee should meet at least once a year and the necessary quorum shall be at least two, including an independent non-executive Director. The Company adopts a Remuneration Committee model set out in E.1.2(c)(ii) of Appendix 14 to the Listing Rules. Accordingly, the Remuneration Committee is responsible for making recommendations to the Board regarding the Company's remuneration policy.

Corporate Governance Report

For the Year, the Remuneration Committee has fulfilled its main responsibilities including, but not limited to:

1. Make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. Review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
3. Make recommendations to the Board on the remuneration packages of executive Directors, non-executive Directors and senior management;
4. Ensure that no Director or any of his associates (as defined in the Listing Rules) is involved in deciding his own remuneration;
5. Assess the performance of executive Directors; and
6. Review the terms of executive Directors' service contracts.

Details of the remuneration of the Directors and senior management for the Year are set out in note 10 in the Notes to the Consolidated Financial Statements.

For the Year, the Remuneration Committee has held three meetings and the attendance of the members is as follows:

Members of the Remuneration Committee	Attendance/ Number of meetings
Mr. Deng Chunhua (<i>Chairman</i>)	3/3
Ms. Zhang Chunmei	3/3
Ms. Chen Nan	3/3

The chairman of Remuneration Committee or (if absent) the other member of Remuneration Committee (must be an independent non-executive Director) should attend the annual general meeting of the Company and handle the Shareholders' enquiry on the activities and responsibilities related to the Remuneration Committee. The company secretary of the Company is also the secretary of Remuneration Committee and is responsible for maintaining full minutes of the Remuneration Committee which are open for inspection at any reasonable time on reasonable notice by any of the Director.

Nomination Committee

The Board has established a Nomination Committee, composing of one executive Director, namely Mr. Sui Jiaheng, and two independent non-executive Directors, namely Ms. Zhang Chunmei and Mr. Deng Chunhua, in compliance with the code provision of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. Mr. Sui Jiaheng is the chairman of the Nomination Committee.

The Nomination Committee's terms of reference were adopted by the Company on 14 July 2020. The Nomination Committee should meet at least once a year and the necessary quorum shall be at least two, including an independent non-executive Director.

For the Year, the Nomination Committee has fulfilled its main responsibilities including, but not limited to:

1. Review the structure, size and composition (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. Identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
3. Assess the independence of the independent non-executive Directors;
4. Make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for directors, in particular the Chairman and the chief executive; and
5. Review the policy on board diversity (the "**Board Diversity Policy**") and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives, and to make disclosure on its review results in the annual report of the Company annually.

For the Year, the Nomination Committee has held two meetings and the attendance of members is as follows:

Members of the Nomination Committee	Attendance/ Number of meetings
Mr. Sui Jiaheng (<i>Chairman</i>)	2/2
Ms. Zhang Chunmei	2/2
Mr. Deng Chunhua	2/2

The chairman of the Nomination Committee or (if absent) the other member of the Nomination Committee (must be an independent non-executive Director) should attend the annual general meeting of the Company, handle the Shareholders' enquiry on the activities and responsibilities related to the Nomination Committee. The company secretary of the Company is also the secretary of the Nomination Committee and is responsible for maintaining full minutes of the Nomination Committee which are open for inspection at any reasonable time on reasonable notice by any Director.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions as set out in code provision A.2.1 of the CG Code, which include:

1. developing and reviewing the Company's policies and practices on corporate governance;
2. reviewing and monitoring the training and continuous professional development of the Directors and senior management;
3. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
4. developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
5. reviewing the Company's compliance with the CG Code and disclosure in this report.

PROCEDURES FOR SHAREHOLDER TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

If a Shareholder wishes to propose a person other than a Director of the Company for election as a Director, the Shareholder must deposit a written notice (the "**Notice**") to the principal place of business of the Company in Hong Kong at Suite No. 2, 3/F Sino Plaza, 255 Gloucester Road, Causeway Bay, Hong Kong, or the branch share registrar of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for the attention of the company secretary of the Company.

The Notice (i) must state clearly the name of the Shareholder and his/her/their shareholding, the full name of the person proposed for election as a Director, and the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and (ii) must be signed by the Shareholder concerned (other than the person to be proposed). The Notice must also be accompanied by a letter of consent signed by the person proposed to be elected on his/her willingness to be elected as a Director.

The period for lodgment of the Notice will commence no earlier than the day after the despatch of the notice by the Company of the general meeting appointed for election of Director and end no later than 7 days prior to the date of such general meeting. If the Notice is received less than 15 days prior to the general meeting, the Company will need to consider the adjournment of the general meeting in order to give Shareholders 14 days' notice of the proposal.

The Notice will be verified by the Company's branch share registrar and upon their confirmation that the requisition is proper and in order, the company secretary of the Company will ask the Nomination Committee and the Board to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

NOMINATION POLICY

The Board has adopted a policy setting out the selection criteria and procedures to select and recommend suitable candidates for directorship (the “**Nomination Policy**”). Following the Nomination Policy, the Nomination Committee is required to consider a variety of factors in assessing the suitability of a proposed candidate, including but not limited to the following criteria:

- (a) Board Diversity Policy;
- (b) reputation for integrity;
- (c) sufficient commitment in time and interest to the Group;
- (d) qualification, experience and achievements that are relevant and appropriate to the Group’s business;
- (e) independence for the appointment of independent non-executive Directors; and
- (f) any other relevant and significant factors as may be considered by the Nomination Committee and/or the Board.

The Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its effectiveness.

BOARD DIVERSITY POLICY

The Company highly values board diversity and has established the Board Diversity Policy. The Company believes that Board diversity shall be achieved through a number of elements and measurable objectives including but not limited to skills, regional and industrial experience, cultural and educational background, professional qualifications, race, gender, age and length of service and any other factors that the Board deems appropriate from time to time.

The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Annually, the Nomination Committee reviews the Board’s composition and diversity, including but not limited to progress on achieving any measurable objectives. The Nomination Committee also has the responsibility for identifying suitably qualified candidates to become members of the Board, with consideration given to the Board Diversity Policy.

The Nomination Committee will review the Policy on a regularly basis, as appropriate, to ensure the effectiveness of the Policy and recommend any such revisions to the Board for consideration and approval.

As at the date of this report, the Board comprises seven Directors, two of whom are female. The Board considers that gender diversity on the Board has been achieved.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors are aware of their obligations to prepare the Group's consolidated financial statements for the Year, to reflect a true and fair financial position, results and cash flows of the Group for the year then ended, and the proper preparation of financial statements on an on-going basis in accordance with applicable statutory requirements and accounting standards.

The Directors are not aware of any material uncertainties that may affect the business of the Group or raise significant questions about the Group's ability to operate on an on-going basis.

COMPANY SECRETARY

For the Year and as of date of the annual report, the company secretaries of the Company and their appointments are:

Company Secretary	Appointment Date	Until
Ms. Wan Yin Yee	3 April 2019	5 February 2021
Ms. Cheung Chit San	5 February 2021	13 July 2021
Mr. Yuen Chi Wai	13 July 2021	Currently in position

The company secretaries obtained relevant professional qualifications in compliance with the requirement of the Listing Rules. Mr. Yuen has also taken not less than 15 hours of relevant professional training for the financial year ended 31 December 2021 in compliance with Rule 3.29 of the Listing Rules.

All Directors have access to the advice and services of the company secretary of the Company on corporate governance and board practices and matters. Mr. Sui Jiaheng, the Chairman of the Board has been designated as the primary contact person at the Company which would work and communicate with Mr. Yuen on the Company's corporate governance and secretarial and administrative matters.

SHAREHOLDERS' RIGHTS

The Board and management are committed to meeting and communicating with Shareholders through the annual general meeting of the Group, listening to Shareholders' opinions and answering questions from Shareholders about the Group and its business. The Chairman of the Board, the Directors and senior management will attend the annual general meeting of the Group to answer questions from Shareholders.

Procedure to Convene An Extraordinary General Meeting

Notice of the annual general meeting is sent to the Shareholders at least twenty (20) clear business days before the holding of the annual general meeting. All other general meetings (including an extraordinary general meeting) must be called by Notice of not less than fourteen (14) clear days and not less than ten (10) clear business days.

The Board may whenever it thinks fit call extraordinary general meetings. Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Address: Suite No. 2, 3/F Sino Plaza, 255 Gloucester Road, Causeway Bay, Hong Kong

Attention: Company Secretary

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full names, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

DIVIDEND POLICY

The Company has established a dividend policy, under which dividends may be recommended, declared and paid to Shareholders from time to time. The declaration of dividend is subject to the discretion of the Board, taking into consideration of, among others, summarised as below:

- the general economic conditions and other internal or external factors that may have impact on the business or financial performance and position of the Group;
- the Group's actual and expected financial results;
- the Group's business operation strategy, including expected working capital requirements, capital expenditure requirements and future development plans;
- the Group's cash flow and liquidity position;
- retained earnings and distributable profit reserves of the Group;
- contractual restrictions on the payment of dividends imposed by the Group's lenders and other institutions;

Corporate Governance Report

- interest of Shareholders;
- applicable statutory and regulatory restrictions; and
- any other factors that the Board considers to be applicable from time to time.

Depending on the factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period. The payment of dividend is subject to any restrictions under the Laws of Hong Kong and Cayman Islands and the Company's Articles of Association. The declaration, payment and amount of dividends will be subject to the Board's discretion and there are no assurance that dividends will be declared and/or paid in any particular amount for any given period. Any dividend for a financial year will be subject to Shareholders' approval. The Board will review the dividend policy on a regular basis.

AUDITOR'S STATEMENT AND REMUNERATION

A statement by the Group's auditors on their reporting obligations in respect of the Group's financial statements for the Year is set out in the "Independent Auditor's Report" section of the annual report.

An analysis of the remuneration of the external auditors of the Company for the year ended 31 December 2021 is set out below:

	Amount of Fee For the year ended 31 December 2021 RMB'000
Annual audit services	1,026
Non-audit services <i>(Note)</i>	550
Total	<u>1,576</u>

Note: Non-audit services included the review of interim financial information of the Group for the six months ended 30 June 2021 and 2020 and the procedures in respect of the continuing connected transactions during the year ended 31 December 2021.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for establishing and maintaining a robust risk management and internal control systems and reviewing their effectiveness as to identify, assess, update and monitor certain particular risks associated with its financial, operational and compliance activities. The Board aims to minimize the risks rather than eliminate them entirely.

On an annual basis, the management of Company conducts a risk assessment as to identify, assess and evaluate key risks or concerned areas of the Company that may arise from the financial, operational and compliance aspects and in accordance to the significance of impact and likelihood of occurrence. The Board and the Audit Committee are responsible for reviewing the result of risk assessment, determining and approving the relevant risk responses and internal controls.

The Company's risk management and internal control systems have been developed with the principle objective of managing the key risks of the Company to a reasonable level, rather than eliminated them. The key features and processes of the Company's risk management and internal control systems include:

- The Board established relevant policy manual at entity and process level to regulate the key activities and to communicate the expectation of the Company.
- The Board assigned management at appropriate level to implement the internal controls and ensure the related operating effectiveness.
- Key divisions/departments conducted self-assessment regularly to assess and report their key performance indicators.
- The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.
- The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Year.

The Group does not have an internal audit department. The Board and the Audit Committee have reviewed the need for an internal audit function and consider it more cost-effective to appoint external independent professionals to independently review and continuously evaluate the Group's internal monitoring systems and risk management systems, taking into account the size and nature of the Group. The Board will review the need for an internal audit function at least once a year.

For the Year, the Company has engaged GRC Chamber Limited, an independent specialist firm (the "**Internal Control Consultant**") to review the key business process and internal control systems, policies and procedures from financial, operational and compliance aspects and in accordance to the approved risk assessment and internal audit plan. The Internal Control Consultant has also submitted its independent report, inclusive of the findings and recommendations, to the Board and the Audit Committee.

The Board and the Audit Committee reviewed the risk management and internal control system of the Group, including the financial, operational and compliance controls, for the Year and up to the date of this report, and is of the view that such systems are effective and adequate based on their own understanding of the Group's risk management and internal control system, their review of report submitted by the Internal Control Consultant, the confirmation they obtained from management on the effectiveness of the Group's risk management and internal control systems, and all other important facts and information known to them. The Board expects that a review of the risk management and internal control systems will be performed at least annually.

KEY INSIDE INFORMATION PROCEDURES

The Company has established key inside information procedure in accordance to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”) Part XIVA, including, but not limited to:

1. The members of the Board and senior officers of the Company are responsible for establishing an effective system to identify and report inside information that is specific about the Company, not generally known to the public and that has impact on the price of the Company’s securities;
2. The members of the Board, as soon as they are aware of any inside information, are individually and collectively responsible for assessing the information and documenting their assessment in respect of the disclosure and confidentiality requirement;
3. The members of the Board, senior officers and any relevant persons who might have access to the inside information are required not to deal in the Company’s securities when they are in possession of unpublished inside information;
4. The members of the Board, senior officers and any relevant persons who might have access to the inside information must take reasonable due care for safeguarding the confidentiality of unpublished inside information;
5. The members of the Board are responsible for ensuring timely, fair and comprehensive dissemination of inside information, in principle of maintaining a fair and informed market, including issuing announcements and/or requesting trading halt in situation of unexpected and significant event.

INVESTORS’ RELATIONSHIP

The Group is dedicated in providing shareholders and investors with accurate and timely information regarding the Group’s financial and operational performance, important development and major events through annual, interim reports and announcements. All published information is uploaded to the Group’s website at www.sinotecw.com.

The Articles of Association of the Company remains unchanged during the Year.

Policies relating to Shareholders

The Company has in place a shareholders’ communication policy to ensure that Shareholders’ views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Board of Directors considered that the Company has effectively communicated with the Shareholders during the Year with information communicated to the Shareholders through the Company’s financial reports, circulars, annual general meetings and other general meetings that may be convened as well as all the published disclosures submitted to the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

1.1 Overview

Sino-Entertainment Technology Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**” or “**we**” or “**us**”) is pleased to present our Environmental, Social and Governance (“**ESG**”) Report (“**ESG Report**”), which has been prepared in accordance with the ESG Reporting Guide (the “**Guide**”) set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**SEHK**”) (the “**Listing Rules**”).

The Company is fully aware of the importance of ESG to the Company’s long-term development, and is aware of the far-reaching impact of its operations and management on the environment and society. Key performance indicator (“**KPI**”) disclosures not only represent the Company’s long-standing compliance with regulations, but also demonstrate the Company’s determination and confidence in integrating environmental and social concerns with daily operations.

This report summarises in brief the Group’s initiatives, plans, performance and achievements regarding ESG aspects of our operational management, employment and labour practices, environmental protection and community investment, with a focus on discussing stakeholders’ concerns, which allow us to demonstrate the Group’s commitment to sustainable development.

This report aims to allow Shareholders, investors (including potential investors) and the public to have a more comprehensive understanding of the Group’s corporate governance and culture. The Group is glad to take on further social responsibilities and will continue to enhance the scope of our disclosures to improve our performance and disclosure on sustainability issues. Information contained in this report was obtained from various company documents and reports, as well as statistical data compiled by the Group’s subsidiaries.

1.2 Reporting Principles and Standard of Reference

This report was prepared in accordance with the ESG Reporting Guide published by SEHK. Strong efforts were made to ensure that disclosure of relevant information meets generally accepted industry and international standards. Reporting principles were focused on four aspects as follows:

- **Materiality:** ESG matters which have a material impact on investors and other stakeholders form the core of this report.
- **Measurable:** KPI in respect of ESG policy and management system effectiveness are presented as quantitative information, and is accompanied by a narrative explaining its purpose and impact.
- **Balance:** This report provides an unbiased picture of the Company’s performance, and avoids selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.
- **Integrity:** Contents of this report are fully represented without omitting any details that may be important to stakeholders.

1.3 Reporting Scope and Key Areas

The contents of this report cover the ESG performance of various major subsidiaries of the Company, including Luocheng Mulao Autonomous County Dinglian Technology Company Limited (羅城仫佬族自治縣頂聯科技有限責任公司) (“**Luocheng Dinglian**”), Khorgos Dinglian Interactive Network Technology Company Limited (霍爾果斯頂聯互動網絡科技有限公司) (“**Dinglian Interactive**”), Beihai Dinglian Technology Company Limited (北海頂聯科技有限公司) (“**Beihai Dinglian**”), Khorgos Entertainment Information Technology Company Limited (霍爾果斯娛科信息技術有限公司) (“**Entertainment Information Technology**”), Hechi Sino Entertainment Information Technology Company Limited (河池新娛科信息技術有限公司) (“**Hechi Sino Entertainment**”), Khorgos Sino-Entertainment Information Technology Company Limited (霍爾果斯新娛科信息技術有限公司) (“**Sino-Entertainment Information Technology**”), and Khorgos Dinglian Network Technology Company Limited (霍爾果斯頂聯網絡科技有限公司) (“**Dinglian Network**”) (collectively, the “**Reporting Entities**” or “**we**” or “**our**”).

This report covers the period from 1 January 2021 to 31 December 2021.

2. ESG Framework

2.1 ESG Management System

Level of hierarchy	Body or department	Particular functions
Decision-making team	Board of directors (the “ Board ”)	<ol style="list-style-type: none"> 1. Discuss ESG direction and important matters 2. Review ESG working strategies 3. Review ESG working progress 4. Assess overall effectiveness of working system
Communication team	ESG working groups comprising senior management and department representatives	<ol style="list-style-type: none"> 1. Identify ESG related risks 2. Formulate ESG working targets and strategies 3. Coordinate ESG information management and disclosure 4. Coordinate communication with stakeholders and materiality analysis 5. Report working progress to the Board on a regular basis
Execution team	ESG representatives from respective departments and subsidiaries	<ol style="list-style-type: none"> 1. Complete tasks assigned by the communication team 2. Collect, compile and report relevant information on a regular basis 3. Provide timely feedback on actual working conditions and suggestions on actual working progress

2.2 Communication With Stakeholders

The Group values feedback from stakeholders and strives to address their concerns and improve our sustainability performance through improved communication strategies and concrete actions. We have put in place various measures to continuously improve our communication with stakeholders. Set out below are channels we use to communicate with stakeholders and their issues of concern.

Stakeholder	Issues of concern	Communication channels	Frequency
Investors and shareholders	<ul style="list-style-type: none"> • Corporate governance • Financial performance • ESG matters 	<ul style="list-style-type: none"> • General meeting • Financial report • ESG report • Announcement and circular 	From time to time
Suppliers and customers	Product quality and customer service	Company website, email, employee feedback	From time to time
Employees	<ul style="list-style-type: none"> • Remuneration and benefits • Health and safety • Professional development 	<ul style="list-style-type: none"> • Training and seminar • Regular job performance evaluation • Internal complaint mechanism 	From time to time
Government	<ul style="list-style-type: none"> • Regulatory compliance • Worker safety • Social welfare 	<ul style="list-style-type: none"> • Interaction and visit • Government inspection • Tax returns and other information 	From time to time
Community	<ul style="list-style-type: none"> • Community environment • Employment and community development • Community welfare 	Active engagement with relevant organisations	From time to time

2.3 Identifying Material Issues

To better understand stakeholders' expectations of the Group's ESG performance, on top of referencing business development strategies and industry practices, we have also conducted an assessment on material issues arising during the Year through various methods such as questionnaire surveys, in order to formulate the framework and contents of disclosure for this Report to address the concerns of the stakeholder groups.

Our assessment of material issues consists of the following procedures:

Identification of issues and stakeholders	Based on a review on sustainability strategies and disclosures, we identify issues that are relevant and considered important to each core business segment and its stakeholders, and formulate corresponding participation plans for each stakeholder group.
Participation of stakeholders	Stakeholders are invited to participate in a materiality survey. In-depth survey is conducted on respective stakeholder groups through methods such as interviews to understand their concerns and expectations in respect of the Company's ESG aspects.
Ranking of material issues	Respective ESG issues are analysed and ranked through quantifying stakeholder survey findings.
Approval by management	Material issues assessment and analysis results are submitted to management for discussion, approval, and final confirmation.

Based on our survey and analysis results, the Group's list of material issues are ranked by materiality as follows:

- Employee health and safety
- Product responsibility
- Remuneration and welfare
- Staff development and training
- Information security and privacy protection
- Product health and safety
- Anti-corruption
- Supply chain management
- Community building and contribution to society
- Usage of resources
- Emissions management
- Waste management

3. The Environment and Resources

With the increasing environmental threats posed by climate change, all sectors of the community need to work together to take urgent action. At Sino-Entertainment, we value good environmental management and are committed to providing the necessary human, material and financial resources towards environmental protection to fulfill the social responsibility we ought to bear. In accordance with the national regulations on environmental protection and resource conservation and taking into account our actual operation conditions, we established an environmental protection and resource conservation system to manage greenhouse gases (“GHG”) generated and energy consumed in our operations, to ensure our compliance with all relevant laws, regulations and rules with regard to environmental protection. We assign personnel to inspect the implementation of the environmental protection system on a regular basis, correct any behaviour that violates the Company’s environmental protection system, and carry out remedial measures correspondingly.

3.1 Emissions Management

As a mobile game developer, we generate minimal emissions, which mainly include GHG emissions from purchased electricity and non-hazardous waste. We try our best to adopt environmentally friendly technology, such as designs that opt for energy efficiency and waste minimization. We also continue to raise employee’s awareness of environmental protection and resource conservation through effective forms of publicity and education, such as encouraging them to take public transport to reduce GHG emissions incurred on a daily basis. We are in strict compliance with the relevant laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, including but not limited to the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》), the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法), the Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) and the Law of the People’s Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》).

Exhaust Gas Emissions

Due to our business nature, we are not involved in the industrial production or ownership of any vehicles. Therefore, we do not emit a significant amount of exhaust gas during our operations. Our primary source of GHG emissions is indirect GHG emissions from purchased electricity. To reduce GHG emissions, we actively adopt measures relating to electricity and energy conservation, including strict control on the use of air conditioners, lights and other electrical appliances. Through these measures, we have raised employees’ awareness of emission reduction.

During the reporting period (the “**Reporting Period**”), our GHG emissions were as follows:

Indicator	Unit	Emissions in 2020	Emissions in 2021
Total GHG emissions	Tonnes	146.32	55.66
Per capita GHG emissions	Tonnes/person	1.24	1.21

Discharge of sewage

Since the water usage of our business activities was minimal, we did not generate a significant amount of sewage. In addition, all sewage discharged were delivered to the local water treatment plant via the municipal sewage network for treatment, hence the amount of water consumed equals the amount of sewage discharged.

3.2 Waste Management

Adhering to the principles of waste management, we are committed to the proper treatment and disposal of all waste generated by our business activities. We identify, sort, store and dispose our waste in a centralised manner. We set up standardised collection bins and designate personnel to dispose waste in a timely manner, to ensure that all waste management practices comply with relevant environmental laws and regulations.

Hazardous waste

Due to our business nature, toxic or hazardous substances are not used in our operations, therefore, we do not generate any hazardous waste (e.g. chemical waste).

Non-hazardous waste

Due to our business nature, the major type of non-hazardous waste generated in our operations is office paper. Adhering to the principles of recycling waste, we are committed to the proper management and disposal of non-hazardous waste generated in our operations. To reduce paper usage, we implemented the following measures relating to paper reduction and recycling:

- Set up waste paper collection bins to recycle printing paper and other kinds of waste paper;
- Reduce paper consumption by utilising double-sided printing;
- In promotion of a paperless office, our staff are encouraged to make good use of electronic communication;

Due to the above measures, we have raised our employees’ awareness of waste management.

During the Reporting Period, our performance on non-hazardous waste emission was as follows:

Non-hazardous waste	Unit	2020	2021
Waste paper	Kg	153.4	55.2
Intensity of waste paper	Kg/person	1.3	1.2

3.3 Usage of resources

With an aim to use resources effectively, we formulated energy saving policies to ensure that resources are reasonably and efficiently used in our business operations, and to promote a green business environment to minimise the impact of our operations on the environment. We take our responsibility to save energy and reduce emissions seriously. As such, we actively make use of energy saving products, develop a circular economy, and improve the utilisation rate of resources, so as to reduce the consumption of water, electricity, paper, and other resources.

Power Management

We actively implement the concept of energy saving and emissions reduction in our business. In addition to reducing the use of unnecessary electricity, we are also committed to fulfilling our corporate responsibility of energy saving and emissions reduction, to create an environmentally friendly working environment. To reduce electricity consumption, we actively adopted eco-friendly and advanced lighting solutions, and require our employees to reduce light usage or turn lights off when there is good visibility. Slogans are posted near lights, air conditioners, washrooms and photocopiers; examples include “Turn off the lights and save electricity”, “Energy saving and emission reduction is everyone’s responsibility”, “Save every drop of water”, and “Protect the forest, print double-sided”. We send out timely reminders to employees who fail to turn off lights and air conditioning, to ensure that they are familiar with the concept of environmental protection. Moreover, to reduce energy wastage, we formulated management practices in relation to the use of air conditioners and other office appliances, including but not limited to:

- The temperature of air conditioners is set not lower than 26 degrees for cooling in the summer, and not higher than 20 degrees for heating in the winter;
- Employees are encouraged to adjust the screen brightness on the office computers to avoid excessive brightness;
- Employees are required to turn off all computers at the end of their shift;
- Employees are asked to declutter and maintain good ventilation to prevent computers from overheating.

Environmental, Social and Governance Report

During the Reporting Period, our performance on energy consumption was as follows:

Type of energy	Unit	2020	2021
Electricity	kWh	186.5	69.1
Intensity of consumption	kWh/person	1.6	1.5

Water Management

Our water usage mainly consists of domestic water usage, such as water for sanitation and drinking. We continue to strengthen our efforts in promoting water conservation by posting slogans related to water saving, to guide our staff to reasonably save water. In addition, we use water-saving cleaning appliances where possible, and regularly inspect the water supply and drainage system in washrooms and the pantry. Due to the above measures, we have raised our employee's awareness of water conservation.

During the Reporting Period, our performance on water consumption was as follows:

Water consumption	Unit	2020	2021
Total water consumption	m ³	936.1	358.8
Intensity of water consumption	m ³ /person	7.9	7.8

3.4 Working environment management

We are committed to providing a comfortable and environmentally friendly working environment for our employees and strive to maintain a hygienic and clean working space, so as to improve work efficiency. Together with our property management company, we conduct regular inspection of our office area to ensure a safe and orderly working environment. Problems and hazards in the office premise is checked and dealt with in a timely manner to reduce the possibility of hazardous incidents occurring.

Due to our business nature, insignificant volumes of exhaust gas and hazardous gas are generated from our daily operations. Nevertheless, we monitor indoor air conditions and clean air conditioners on a regular basis, to maintain good indoor air quality.

4 Employment

Our employees are our greatest wealth and our core competitive strength, as well as the driving force behind our continuous exploration and innovation. Due to our belief that talents are the most important part of our sustainable development strategy, we have formulated various personnel management policies to safeguard fundamental rights of our employees, so that they may grow with us. We have developed an Employee's Handbook and distributed a copy to each employee. The Handbook sets out the internal rules and guidelines regarding the best business practices, professional ethics, anti-fraud mechanisms, negligence at work and corruption. We also provide regular training and resources to employees and explain the guidelines contained in the Employee's Handbook. Through the above policies, we are committed to safeguarding the occupational health and safety of our staff, protecting their vital interests, fully respecting and valuing the motivation, initiative and creativity of our staff, and building a harmonious employer-employee relationship. We are in strict compliance with the laws and regulations in relation to employment, including but not limited to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》).

During the Reporting Period, we were not aware of any material non-compliance with relevant laws and regulations that have a significant impact on us relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. As at 31 December 2021, we have 46 staff in total, of which 28% holds a bachelor's or a higher degree. An analysis of our employees by age, gender and position is as follows:

	No. of people	Percentage
By gender		
Male	20	43%
Female	26	57%
By category		
Management	8	17%
Non-management	38	83%
By age		
31 years old or below	13	28%
Over 31 years old	33	72%

An analysis of the employee turnover rate by type is as follows:

	No. of people	Percentage
By gender		
Male	16	22%
Female	58	78%
By category		
Management	3	4%
Non-management	71	96%
By age		
31 years old or below	40	54%
Over 31 years old	34	46%

4.1 Employee remuneration and benefits

We are committed to establishing a competitive and fair remuneration and benefits system to attract and retain talents. To ensure that our employees receive competitive remuneration packages, we constantly improve our remuneration and incentive policies through market research. We have formulated a Remuneration Management Policy, which states that an employee's remuneration generally includes their basic salary, performance bonus and year-end bonus.

During the period under review, we adopted and implemented an equity reward scheme to reward our directors, senior management and employees for their contribution to the Group's development, and to attract and incentivise talents to further improve the Company's incentive program. We sign and fulfil labour contracts with our staff in accordance with the relevant labour laws in the PRC and Hong Kong, and make contributions to the relevant social insurance and provident fund/MPF according to the law, to ensure that employees have sufficient safeguards for their rights to physical well-being.

4.2 Hiring, promotion and termination

We have developed a transparent and standardised Recruitment and Hiring Management System to attract and retain talents to enhance the Company's competitiveness. Adhering to the principle of equal opportunity, we ensure that both our staff and external parties are given equal employment opportunities for job openings. We also ensure fair competition by adopting a merit-based hiring system and providing probation periods. All candidates will be jointly examined by the Recruitment Team and the Human Resources Department in terms of professional skills, cognitive attitude and the suitability to the job role. The Human Resources Department is responsible for conducting the hiring, selection, interviewing and other procedures, as well as preparing annual and monthly recruitment plans based on our existing structure and the staffing needs in each department, so as to improve our recruitment system and recruitment process.

We have a Performance Management Policy in place that guides, assesses, develops, incentivises and rewards employees for their performance in a systematic manner.

Moreover, in order to standardise the termination management of the Company's employees, we have established the Termination Management System, which sets out clear termination procedures to ensure that the rights of the Company and the outgoing staff are duly protected.

We are committed to creating a culture of equality within the Company that promotes mutual communication and respect for diversity. We strictly comply with the laws and regulations of national and local governments and adopt a fair, equal and open recruitment process, and are committed to providing equal employment opportunities without discrimination on the basis of ethnicity, colour or age. During the hiring, training and promotion processes, we treat every candidate with the same respect to safeguard the rights of our employees.

4.3 Employee Health and Safety

As a mobile game developer, our employees are not exposed to major health and safety risks in our daily operations. Nevertheless, we attach great importance to the health and safety of our staff, and have formulated a relevant system to provide a healthy, safe and comfortable working environment for our staff. Smoking is prohibited in our offices to prevent fires. In the event of injury to workers, safety measures have been set out in our Employee's Handbook providing guidelines for employees to respond to the emergency. In addition, our offices and server rooms are equipped with fire extinguishers and fire hydrants to prevent fires. During the extremity of the novel coronavirus pandemic in particular, the Company was highly concerned for the health and safety of each and every employee. We implemented a series of measures such as increased publicity and regular disinfection to strengthen protection of our employee's working environment and physical health.

We are in strict compliance with the laws and regulations in relation to providing a safe working environment and protecting employees from occupational hazards, including but not limited to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》), and the Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》).

During the Reporting Period, there were no reports of work-related fatality or work days lost due to work-related injuries, and there were no cases of our employees contracting the novel coronavirus.

4.4 Development and Training

We attach great importance to the professional development of our staff. Therefore, we integrate continuous learning into our corporate culture by providing regular and specialised training that are tailored to the needs of our employees in each department. We have a training centre where senior staff or external consultants organise internal training programs on topics of interest selected and voted by employees. These training programs are initiated by the Human Resources Department, which is also responsible for monitoring the training process and subsequently assessing the training effectiveness. Topics included in the courses cover various aspects of business operations, including general management, project execution and technical knowledge. In addition, the Group also has emergency response plans in place and arrange for all our employees to participate in emergency drills by batches. Such regular training programs, seminars and other exchange activities promoted employees' overall understanding of the industry and enhanced their professional skills.



Photos of staff attending training courses

4.5 Labour Standards

We are in strict compliance with the laws and regulations in relation to the prevention of child and forced labour, including but not limited to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》), and the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》).

Child labour is strictly prohibited. In order to prevent the use of child labour in our business activities, we require job candidates to provide us with true and accurate personal information. The Recruitment Team of the Human Resources Department will then perform a thorough check on the candidates' background information such as ID number and account number, to further confirm their qualifications. We strictly comply with statutory working hours and holidays where our respective businesses operate. Office staff work five days a week and eight hours a day. We provide employees with leave entitlements including personal leave, sick leave, marital leave, bereavement leave, maternity leave, injury leave, family leave and annual leave, to facilitate work-life balance for our employees.

During the Reporting Period, we were not aware of any material non-compliance with relevant laws and regulations that have a significant impact on us relating to the prevention of child and forced labour.

5 Operation Management

With comprehensive internal compliance management, we maintain a zero tolerance approach on all forms of corrupt behaviour, as we improve supplier management, standardise our tender process, separate power and authority and improve the coverage of our supplier review. At the same time, we continue to strengthen communications with customers and actively respond to their demands, in order to improve our service quality and effectiveness.

5.1 Supply Chain Management

In the process of selecting suppliers, we consider the qualifications, reputations, technical requirements and quality of game developers and publishers. Only suppliers who have passed our preliminary assessment would be included on our list of approved suppliers. We assess approved suppliers annually to confirm that they continue to meet our requirements. Suppliers with less than satisfactory assessment results are immediately removed from our list of approved suppliers, to ensure that we provide game products of the best quality. We also include environmental and social risk factors of suppliers in our assessment criteria and select environmentally friendly products and services where possible; suppliers facing major risks or significant environmental issues are excluded from our list of approved suppliers.

Besides selecting suppliers, we also conduct the following assessment on game quality prior to obtaining exclusive rights to a game:

- 1) Conduct a background check on the game developer to survey its product portfolio.
- 2) Understand the target game's popularity and prospects in the current market by studying the local ranking charts.
- 3) Conduct internal testing to ensure the product operates as planned.

We only consider cooperation with game developers or suppliers when assessment results are to our satisfaction and their outlook is positive.

The suppliers of the reporting entity were primarily from the PRC, contributing to 100% of the total amount of purchase during the Reporting Period. During the Reporting Period, we applied a consistent assessment criteria to all suppliers. No supplier that did not pass the assessment was included on our supplier list.

5.2 Product Responsibility

We are committed to providing the best user experience and are highly focused on the quality of our products and services. When launching new games, we need to anticipate and accommodate users with their changing interests and preferences and adapt to the ever-changing environment of the competitive mobile game industry. We also tried to effectively promote new games and upgrade existing games to enhance regional penetration.

The Group consistently abides by the regulations in relation to the research and development and operation of gaming products, and continues to optimise our game features and safeguard the legitimate interests of game players. The Group has formulated the Environment and Social Responsibility Management System to ensure that our research and development, operation, marketing and other operational activities comply with the national standards and the requirements of industry-related services to improve product and service quality in a practical manner. The Group is in strict compliance with the relevant laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redressal, including but not limited to the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》), and the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》).

During the Reporting Period, no products of the Group was recalled for safety and health reasons.

5.3 Information Security and Privacy Protection

We strictly comply with legal requirements in providing a high level of security and confidentiality in the protection of personal data privacy. We believe personal data privacy is highly important and strive to maintain data protection. We collect only personal data that we believe is relevant or necessary to our operations. Unless customer agreement had been obtained, personal data is only used for purposes for which it was collected or directly related purposes. Unless required by law or on prior notice, we will not transfer or disclose any personal data to any non-member entity without customer consent. Further, we maintain appropriate security measures and system to safeguard unauthorised access of personal data.

We comply with and protect intellectual property and oppose any form of intellectual property violation, which is strictly implemented through established company policy, system and procedure.

5.4 Anti-Corruption

We have established relevant internal policies and formulated our Compliance Handbook and system processes such as Detection, Prevention and Reporting of Misconduct, which specify the scope of responsibility of the Company's management for anti-corruption. The Company prohibits employees (including the Directors) from making improper payments or accept any form of gifts or benefits without formal authorisation. Receipt of any gifts or benefits should be reported to management immediately for further determination. Employees are further prohibited from engaging in any illegal behaviour, including extortion, fraud and money laundering.

Meanwhile, through providing training to enhance anti-corruption and anti-money laundering concepts, the entire organisation from management to grassroots employees are trained to have a strong sense of anti-corruption, while we also monitor daily operations through internal audits. Various channels such as feedback boxes and whistleblowing mailbox have been set up to strengthen monitoring of management and build a sense of anti-corruption at the workplace.

We strictly comply with laws and regulations relating to anti-bribery, blackmail, fraud, and money laundering. During the Reporting Period, we did not have any incidents of corruption.

6 Community

We actively fulfil our corporate civil responsibility and encourage our staff to participate in community service activities.

As a cultural enterprise, the Group actively participates in provincial-level and municipal-level online and offline conferences, providing suggestions as a way of contributing to the rapid development of the community's cultural industry and fulfil our responsibilities to the community. During the outbreak of the coronavirus pandemic in particular, we gave full play to our responsibility and enthusiasm as a member of the community and organised various events at our various places of operations in conjunction with the local communities, and made suggestions to aid the development of the local communities. We strive to provide more resources for volunteer activities in making an active contribution to the community.



Our participation at the online charity event organised by the Korgas County Bureau

Appendix

Stock Exchange ESG Guide KPI Index

This KPI index illustrates the Group's compliance with each of the "comply or explain" provisions and disclosure of "recommended disclosures" set out in the ESG Guide during the reporting period.

Issue	Guide requirements	Report section/ remark
A1 Emissions		
General Disclosure	Information on:	Section 3
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer	
	relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	
KPI A1.1	The types of emissions and respective emission data.	Section 3
KPI A1.2	Greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Section 3
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Section 3
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Section 3
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Section 3
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Section 3
A2 Use of Resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Section 3
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Section 3
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Section 3
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Section 3
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Section 3
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	A2.5 is not included as the products and services provided by the Group are online and do not involve any packaging material

Environmental, Social and Governance Report

Issue	Guide requirements	Report section/ remark
A3 The Environment and Natural Resources		
General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Group is principally engaged in game development and operation and has no material impact on the environment and natural resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
A4 Climate Change		
General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	The Group is principally engaged in game development and operation and has no material impact on the climate
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	
B1 Employment		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Section 4
	relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	
KPI B1.1	Total workforce by gender, employment type (for example, full-time or part-time), age group and geographical region.	Section 4
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Section 4

Issue	Guide requirements	Report section/ remark
B2 Health and Safety General disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Section 4
KPI B2.1	relating to providing a safe working environment and protecting employees from occupational hazards. Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Section 4
KPI B2.2	Lost days due to work injury.	Section 4
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Section 4
B3 Development and Training General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Section 4
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Section 4
KPI B3.2	The average training hours completed per employee by gender and employee category.	Section 4
B4 Labour Standards General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Section 4
KPI B4.1	relating to preventing child and forced labour. Description of measures to review employment practices to avoid child and forced labour.	Section 4
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	During the reporting period, we have complied with all laws and regulations on preventing child and forced labour in relation to employment that have a significant impact on the Group.

Environmental, Social and Governance Report

Issue	Guide requirements	Report section/ remark
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Section 5
KPI B5.1	Number of suppliers by geographical region.	Section 5
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Section 5
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Section 5
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Section 5
B6 Product Responsibility		
General Disclosure	Information on	Section 5
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer	
	relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There were no related incidents.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Section 5
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Section 5
KPI B6.4	Description of quality assurance process and recall procedures.	Section 5
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Section 5

Issue	Guide requirements	Report section/ remark
B7 Anti-corruption General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Section 5
KPI B7.1	relating to bribery, extortion, fraud and money laundering. Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Section 5
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Section 5
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Section 5
B8 Community Investment General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Section 6
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Section 6
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Section 6

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Sui Jiaheng (隋嘉恒), aged 37, is the chairman of the Board and an executive Director primarily responsible for the overall strategic planning and development of the Group and the overall management and operations of the Group. Mr. Sui joined the Group in August 2015 as the vice general manager (sales) of Dinglian Technology and was appointed as an executive director of Dinglian Technology in November 2015. He was appointed as a Director on 18 April 2018 and was redesignated as the chairman of our Board and an executive Director on 3 April 2019. Mr. Sui has been a director of Southeast Oriental Gaming Technology Pte. Ltd., a subsidiary of the Company, since August 2021. He has also been a director of Shenzhen Sino Entertainment Information Technology Company Limited (深圳新娛科信息技術科技有限公司), a subsidiary of the Company, since December 2021.

Prior to joining the Group, Mr. Sui has over nine years of experience in the consulting industry, where he was exposed to the gaming area and gained substantial skills and knowledge in organising the data collection, analysis and modelling, testing target gaming companies' products, performing forecast of the business development of the companies, as well as giving investment advice to clients. He was a consultant and researcher at Shanghai Hejun Venture Management Consulting Limited* (上海和君創業管理諮詢有限公司) ("**Shanghai Hejun Consulting**") from September 2004 to June 2006, and worked as a senior consultant and researcher at the company from June 2006 to September 2008. Shanghai Hejun Consulting is principally engaged in market research analysis, business development and data collection. Mr. Sui worked with industries such as technology, entertainment and gaming. During the period from October 2008 to September 2009, Mr. Sui was an assistant to the president of Beijing Hejun Venture Management Consulting Limited* (北京和君創業管理諮詢有限公司) ("**Beijing Hejun Consulting**"). Beijing Hejun Consulting is principally engaged in the provision of management and investment consulting. Mr. Sui was responsible for providing such consulting services in relation to industries including mining, farming, gaming, and real estate industries. Between September 2009 and February 2011, Mr. Sui was the senior manager of Beijing Hejun Venture Capital Management Limited* (北京和君創業資本管理有限公司) ("**Beijing Hejun Capital**"). From February 2011 to October 2013, he was the vice president and partner of Beijing Hejun Capital. Beijing Hejun Capital is principally engaged in consultancy services in investment and financial projects of technology and gaming companies. During Mr. Sui's tenure as the vice president and partner of Beijing Hejun Capital, he participated in a number of domestic and foreign financing, restructuring and merger projects. He founded and invested in Beijing Jia Ri Xian Technology Limited* (北京嘉日鮮科技有限公司), a company principally engaged in innovative information technology in December 2013 and has acted since then as the director.

Mr. Sui graduated from Hoosac School, a high school in New York, the US, in June 2001. He attended Boston University, majoring in management, from January 2002 to May 2004 but did not complete the study to pursue a career in the consulting industry with an exposure to the gaming area.

Mr. Sui was awarded the Top 10 Outstanding Entrepreneurs in the Gaming Industry* (遊戲行業十大優秀企業家) and the Top 10 Innovative Characters in the Gaming Industry* (遊戲行業十大創新人物) in November 2017, both jointly issued by the China Enterprise Development Association (中國企業發展協會) and the Whole Country Brand Authentication Alliance (全國品牌認證聯盟). He was also awarded with the Innovative Technology Outstanding Leader Award* (科技創新卓越領導者獎) and Innovative Technology Outstanding Result Award* (科技創新成果優秀獎) in December 2017 from the China Association for Quality Evaluation* (中國質量評價協會).

Mr. Li Tao (李濤), aged 41, is the chief executive officer and an executive Director. Mr. Li is primarily responsible for the overall business planning and daily management of the Group, including, among others, coordinating the publishing of online games. He joined the Group in January 2017 as the vice general manager of the gaming business department of Luocheng Mulao Autonomous County Dinglian Technology Company Limited* (羅城仫佬族自治縣頂聯科技有限責任公司) (“**Dinglian Technology**”). He was the general manager of the gaming business department of Khorgos Dinglian Interactive Network Technological Company Limited* (霍爾果斯頂聯互動網絡科技有限公司) from January 2018 to January 2019. Mr. Li has been the chief executive officer of Dinglian Technology since February 2018. He was appointed as executive Director on 15 April 2021.

Mr. Li has over 15 years of experience in marketing through his exposure to the gaming field and management of technology companies. Prior to joining the Group, Mr. Li worked in the marketing department of Guangzhou Jiexun Communication Technology Limited* (廣州捷訊通信技術有限公司) from September 2002 to April 2008, with the last position as marketing manager. From July 2008 to January 2011, Mr. Li worked on marketing-related matters at Shenzhen Zhengchuang Technology Limited* (深圳市徵創科技有限公司), a company principally engaged in game promotion. Mr. Li worked as the chief marketing officer at Guangzhou Miqi Network Technology Limited* (廣州市覓奇網絡科技有限公司) from November 2011 to July 2013. Mr. Li served as a marketing director of Guangzhou Yinhan Technology Co., Ltd.* (廣州銀漢科技有限公司), a company principally engaged in the provision of mobile value-added services, mass online game development and operation services, from August 2013 to May 2014. During the period from June 2014 to November 2014, Mr. Li was a marketing manager of Guangdong Xinghui Tiantuo Interactive Entertainment Limited* (廣東星輝天拓互動娛樂有限公司) (“**Teamtop**”). Teamtop, a wholly-owned subsidiary of Rastar Group (星輝互動娛樂股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 300043), is an integrated platform game company principally engaged in the research, development and distribution of internet games. Mr. Li worked as a general manager of Guangzhou Tianhen Network Technology Limited* (廣州市天痕網絡科技有限公司), a company principally engaged in the information technology services and promotion of games, from July 2015 to July 2016. Mr. Li obtained his diploma in tourism management from Guizhou University of Commerce (貴州商業高等專科學院) in July 2002.

NON-EXECUTIVE DIRECTORS

Mr. Huang Zhigang (黃志剛), aged 58, is a non-executive Director primarily responsible for providing advice on strategies to the Group. He joined the Group on 3 April 2019, when he was appointed as a non-executive Director.

Mr. Huang has over 31 years of experience in general management and operations in the electronic manufacturing field. From July 1981 to December 1987, he was a technician and salesman in Longxi Radio Factory* (龍溪無線電廠). He subsequently gained general management experience in a number of technology companies. From January 1988 to December 1993, he was the general manager in Zhangzhou Jinfan Electric Equipment Limited* (漳州金帆電器有限公司), a company principally engaged in manufacturing electrical equipment. From January 1993 to January 2003, he served as the general manager in Zhangzhou Dongfang Electronics Limited* (漳州市東方電子有限公司), a company principally engaged in manufacturing electronic products. From January 2003 to December 2013, he served as the general manager in Zhangzhou Eastern Intelligent Meters Limited* (漳州市東方智能儀表有限公司), a company principally engaged in manufacturing measuring and testing instruments. Since January 2013, he has been the chairman and president of Zhangzhou Eastern Technology Group (東方科技集團(漳州)有限公司), which is principally engaged in manufacturing measuring and testing instruments.

Biographical Details of Directors and Senior Management

Mr. Huang graduated from Minnan Normal University (閩南師範大學) (formerly known as Zhangzhou Normal College* (漳州大學師範學院) and Fujian Province Longxi Normal College* (福建省龍溪師範大專班)), majoring in mathematics, in July 1981. He was admitted as a mid-level electronics engineer by Zhangzhou Professional Title Reform Office* (漳州市職稱改革辦公室) in January 2016.

Mr. He Shaoning (何紹寧), aged 41, is a non-executive Director of the Group, primarily responsible for the day-to-day business management of the Group. He has been the general manager of Dinglian Technology from December 2014 to April 2021, and has accumulated extensive experience in managing daily operations of Dinglian Technology and is responsible for work related to finance and human resources. He was appointed as director of Dinglian Technology from October 2017 to April 2021. He was appointed as an executive Director and the general manager of the Group from 3 April 2019 to April 2021. Mr. He was redesignated as non-executive Director from executive Director since 15 April 2021.

Mr. He is one of the founders of the Group. He has over six years of sales and marketing experience and over four years of business management experience in the mobile game industry. Prior to joining the Group, from January 2002 to April 2007, he worked at Tongyun Business Shopping Mall* (通運商貿購物中心) as a salesperson. Mr. He served as the vice president and marketing director of Luo Cheng Mulao Autonomous County Wuyuechun Wine Limited* (羅城仫佬族自治縣五月春酒業有限公司) from June 2007 to November 2014.

Mr. He graduated from Guangxi Commercial School* (廣西商業學校), majoring in marketing and sales, in June 1998. He was awarded the Personal Science and Technology Innovation Award (個人科技創新獎) jointly by the China Enterprise Development Association (中國企業發展協會) and the Whole Country Brand Authentication Alliance (全國品牌認證聯盟) in November 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Zhang Chunmei (張春梅), aged 37, is an independent non-executive Director primarily responsible for overseeing the management of the Group independently. She joined the Group in 23 April 2020, when she was appointed as an independent non-executive Director.

Ms. Zhang has over nine years of experience in the audit and assurance services field. She worked in ShineWing Certified Public Accountants (信永中和會計師事務所) with the last position as a manager from November 2009 to April 2015. She worked as a manager in Ruihua Certificated Public Accountants (瑞華會計師事務所) from July 2015 to September 2016. Ms. Zhang was a senior manager of the Shenzhen office of Shanghai Certified Public Accountants (上會會計師事務所(特殊普通合伙)) from August 2016 to October 2017 and has been a partner there since October 2017, focusing on auditing of listed companies and financial strategy planning.

Ms. Zhang obtained a bachelor's degree in financial management from Jilin University in July 2008. She qualified as a PRC Certified Public Accountant in July 2012.

Biographical Details of Directors and Senior Management

Mr. Deng Chunhua (鄧春華), aged 44, an independent non-executive Director primarily responsible for overseeing the management of the Group independently. He joined the Group in 23 April 2020, when he was appointed as an independent non-executive Director.

Mr. Deng has over 20 years of experience in wealth management and investment consultation. From July 1997 to September 2016, he served different positions including as a director of wealth management centre and investment analyst at Sealand Securities Co., Ltd. (國海證券股份有限公司). From October 2016 to December 2017, he served as an assistant to the general manager of the sales team in the Beihai office of China Merchants Securities Co., Ltd. (招商證券股份有限公司), where he advised on wealth management and institutional business. Since June 2018, Mr. Deng has served as an assistant to the chairman and secretary of the board of Beihai Xingshi Carbon Material Technology Limited* (北海星石碳材料科技有限責任公司), where he assisted in the general management of the company. He has also been appointed as a director of the company since October 2018.

Mr. Deng obtained his bachelor's degree in economics from Guangxi University (廣西大學) in December 2003. He received his master's degree in business management from Guangxi University (廣西大學) in October 2011. He obtained the qualification of securities investment adviser granted by Securities Association of China (中國證券業協會) in June 2014.

Ms. Chen Nan (陳楠), aged 36, is an independent non-executive Director primarily responsible for overseeing the management of the Group independently. She joined the Group in 23 April 2020, when she was appointed as an independent non-executive Director.

Ms. Chen worked in the Shenzhen office of JunZeJun Law Offices (君澤君律師事務所) as a paralegal from February 2012 to August 2013. She worked in the Shenzhen office of Dentons, a global law firm, as a paralegal from September 2013 to May 2015 and as an associate from June 2015 to May 2017. Ms. Chen is an associate of the Shenzhen office of JunZeJun Law Offices (君澤君律師事務所), and has focused her practice in domestic and foreign investment and financing, mergers and acquisitions of listed companies, foreign investment, and initial public offering since April 2017.

Ms. Chen obtained her bachelor's degree in law from South Central Minzu University (中南民族大學) in June 2008. She obtained her master's degree in constitutional and administrative law from South-Central Minzu University in June 2012. She was admitted as a PRC qualified lawyer in March 2014 by Guangdong Department of Justice (廣東省司法廳).

SENIOR MANAGEMENT

Mr. Qiu Junqing (邱俊青), aged 42, is the head of development team of the Group. Mr. Qiu is primarily responsible for overseeing the game research and development team of the Group. He joined the Group in January 2017 as the head of gaming at Dinglian Technology. Since January 2019, he has been the general manager of the mobile gaming research and development department at Dinglian Technology.

Mr. Qiu has over 12 years of experience in the gaming industry. Prior to joining the Group, he was employed by Shenzhen Shenlao Human Resources Development Limited* (深圳市深勞人力資源開發有限公司) from July 2006 to April 2010. During the same period, he was dispatched to China Gaming Centre* (中國遊戲中心) to serve as an operations manager. From September 2010 to January 2012, Mr. Qiu worked as a product engineer at Shenzhen Huaqiang Gaming Software Limited* (深圳華強遊戲軟體有限公司), where he was involved in the gaming business operation as well as research and development of gaming products. He was the director of research and development at Shenzhen Boma Vector Technology Limited* (深圳市博碼向量科技有限有限公司) from February 2012 to June 2014, where he was responsible for overseeing the research and development department and managing gaming development process. From July 2014 to July 2015, Mr. Qiu worked as the operations manager at Shenzhen Lanyue Network Technology Limited* (深圳市嵐悅網絡科技有限有限公司), and was primarily responsible for the management of IP game research and development as well as gaming design. Between July 2015 and November 2016, Mr. Qiu was the research and development director of Shenzhen Gaming Light Year Network Technology Limited* (深圳市遊戲光年網絡科技有限有限公司), where he was responsible for overseeing the research and development department and managing gaming development process.

Mr. Qiu obtained his bachelor's degree in law from Sichuan University in July 2006.

COMPANY SECRETARY

Mr. Yuen Chi Wai (袁志偉) was appointed as a company secretary of the Company on 13 July 2021.

Mr. Yuen, FCPA, obtained his bachelor of commerce in accounting and finance degree from The University of New South Wales in April 1998. He was admitted as a fellow of the Hong Kong Institute of Certified Public Accountants in March 2013 and a fellow of CPA Australia in July 2014. Mr. Yuen is experienced in auditing, corporate internal control, as well as financial and risk management. Mr. Yuen had been an independent non-executive director of Central China Securities Co., Ltd. (中原證券股份有限公司) (carrying on business in Hong Kong as “中州證券”) from June 2014 to June 2021, the shares of which are listed on the Stock Exchange (stock code: 1375) and listed on the Shanghai Stock Exchange (stock code: 601375). Mr. Yuen has been the joint company secretary of Zhixin Group Holding Limited since May 2019, the shares of which are listed on the Stock Exchange (stock code: 2187). Mr. Yuen has been the Managing Director of Venture Executive Services Limited since August 2014, which is principally engaged in provision of company secretarial and other corporate services to various listed and unlisted companies.

INDEPENDENT AUDITOR'S REPORT



**TO THE MEMBERS OF
SINO-ENTERTAINMENT TECHNOLOGY HOLDINGS LIMITED
新娛科控股有限公司**

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sino-Entertainment Technology Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 70 to 149, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. 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 HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of trade and other receivables</p> <p>As disclosed in Note 20 to the consolidated financial statements, as at 31 December 2021, the Group's gross trade receivables and other receivables amounted to approximately RMB106,328,000 and RMB33,380,000, respectively, and allowance of credit losses of approximately RMB2,519,000 and RMB429,000, respectively, were included in the Group's consolidated statement of financial position.</p> <p>The impairment losses, net of reversal on trade and other receivables, included in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 amounted to approximately RMB2,592,000.</p> <p>The allowance for credit losses of trade and other receivables represents the management's best estimates at the end of the reporting period of expected credit losses under Hong Kong Financial Reporting Standard 9: Financial Instruments' Expected Credit Loss (the "ECL") Model.</p> <p>As disclosed in Note 31(b) to the consolidated financial statements, the ECL in relation of trade and other receivables are assessed individually for the debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.</p>	<p>Our audit procedures in relation to the management's assessment on allowance for credit losses of trade and other receivables included:</p> <ul style="list-style-type: none">• understanding key controls on how the management estimates the credit loss allowance for trade and other receivables;• engaging our independent professional valuer to assess the reasonableness and appropriateness of the Group's methodology of ECL model, including the model design and calculation and model inputs in compliance with HKFRS 9;• assessing the competency, capabilities and objectivity of the independent external valuer engaged by us;• testing the integrity of information used by the management to develop the provision matrix, including trade receivables aging analysis as at 31 December 2021, on a sample basis, by comparing individual items in the analysis with the relevant sale invoices and other supporting documents;• challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 31 December 2021, including their identification of significant balances and credit-impaired receivables, the reasonableness of the management's grouping of the remaining debtors into different categories in the provision matrix and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information);

Key audit matter**How our audit addressed the key audit matter****Impairment assessment of trade and other receivables (continued)**

The management assessed the ECL based on historical observed default rates and adjusted by forward-looking information that is reasonable and supportable available without undue costs or effort.

We consider impairment assessment on trade and other receivables as a key audit matter because of its significance to the consolidated financial statements and the significant estimates and judgement involved in determining the ECL allowance on the trade and other receivables.

- reviewing the reasonableness of the management's estimation of other receivables in expected timing of collection and the credit quality of individual debtors, including the background of the debtors and their credit worthiness and collection history;
- reviewing the repayment history and settlements received subsequent to the reporting period from the debtors; and
- evaluating the disclosures regarding the impairment assessment of trade and other receivables in Note 31(b) to the consolidated financial statements.

Impairment assessment of intangible assets-licenses

As disclosed in Note 19 to the consolidated financial statements, as at 31 December 2021, the Group's intangible assets amounted to approximately RMB32,061,000 was included in the Group's consolidated statement of financial position.

No impairment loss was recognised on intangible assets in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021.

Our audit procedures in relation to management's assessment on impairment of intangible assets included:

- assessing the competency, capabilities, independence and objectivity of the independent external valuer engaged by the management;
- obtaining the valuation report of intangible assets and to assess the appropriateness of valuation method adopted by the management;
- obtaining the discounted cash flow forecast and checking its mathematical accuracy;

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of intangible assets-licenses (continued)

Impairment of licenses is assessed by comparing the recoverable amount and carrying amount of the licenses at the end of the reporting period. The Group engaged an independent professional valuer to carry out an impairment assessment by estimating the recoverable amount of the cash-generating unit in which the licenses have been allocated, with reference to value in use calculation which required significant judgement on assumptions and input adopted in the underlying cash flows. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the discount rate, growth rate and prolonged pre-approval time of the National Press and Publication Administration in China (“**NPPA**”) of mobile games in the industry in order to derive the recoverable amount.

We identified impairment assessment on intangible assets as a key audit matter due to significant judgements and assumptions involved in the impairment assessment.

- challenging and evaluating the reasonableness of key assumptions and methodologies used by the management in the cash flow forecasts, such as growth rates, discount rate and the prolonged pre-approval time of the NPPA of mobile games taking into account industry forecasts and market developments, the budget, future business plan and historical performance; and
- reviewing the sensitivity analysis performed by the management on the key assumptions to understand the impact of reasonably possible change in assumptions on the estimated recoverable amount.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2021.

OTHER INFORMATION

The directors of the Company (the “**Directors**”) are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are 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 the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, we exercise professional judgement and maintain professional skepticism 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 the Directors.
- Conclude on the appropriateness of the Directors' 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 group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Asian Alliance (HK) CPA Limited

Certified Public Accountants (Practising)

Cheng Ting Chiu

Practising Certificate Number: P06598

8/F., Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong

29 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	6	104,267	240,426
Cost of sales		(75,461)	(128,558)
Gross profit		28,806	111,868
Other income	8	6,817	1,901
Other gains and losses	9	(975)	(4,642)
Other expenses		—	(466)
Administrative expenses		(19,741)	(20,775)
Interest on lease liabilities		(11)	(8)
Impairment losses under expected credit loss model, net of reversal	10	(2,592)	(195)
Research and development expenses	12	(14,860)	(21,074)
Listing expenses		—	(9,680)
(Loss) profit before tax	12	(2,556)	56,929
Income tax expense	11	(394)	(644)
(Loss) profit and total comprehensive (expense) income for the year		(2,950)	56,285
(Loss) earnings per share	16		
– Basic (RMB cents)		(0.74)	15.67
– Diluted (RMB cents)		N/A	15.67

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property and equipment	17	30	83
Right-of-use assets	18	202	176
Intangible assets	19	32,061	35,904
Deferred tax assets	25	227	462
		32,520	36,625
CURRENT ASSETS			
Trade and other receivables	20	179,121	172,247
Bank balances and cash	21	88,256	106,196
		267,377	278,443
CURRENT LIABILITIES			
Trade and other payables	22	8,444	19,390
Lease liabilities	23	105	143
Contract liabilities	24	—	728
Tax liabilities		3,885	4,952
		12,434	25,213
NET CURRENT ASSETS			
		254,943	253,230
TOTAL ASSETS LESS CURRENT LIABILITIES			
		287,463	289,855
NON-CURRENT LIABILITY			
Lease liabilities	23	101	23
NET ASSETS			
		287,362	289,832
CAPITAL AND RESERVES			
Share capital	26	275	275
Reserves		287,087	289,557
TOTAL EQUITY			
		287,362	289,832

The consolidated financial statements on pages 70 to 149 were approved and authorised for issue by the Board of Directors on 29 March 2022 and are signed on its behalf by:

Sui Jiaheng
Director

Li Tao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note a)	Statutory surplus reserve RMB'000 (Note b)	Share-based payment reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2020	69	—	5,000	4,139	—	119,778	128,986
Profit and total comprehensive income for the year	—	—	—	—	—	56,285	56,285
Appropriation to statutory surplus reserve	—	—	—	1	—	(1)	—
Capitalisation issue (Note 26)	154	(154)	—	—	—	—	—
New ordinary shares issued upon listing of the Company's shares (Note 26)	52	112,017	—	—	—	—	112,069
Transaction costs attributable to issue of new ordinary shares (Note 26)	—	(7,508)	—	—	—	—	(7,508)
At 31 December 2020	275	104,355	5,000	4,140	—	176,062	289,832
Loss and total comprehensive expense for the year	—	—	—	—	—	(2,950)	(2,950)
Appropriation to statutory surplus reserve	—	—	—	37	—	(37)	—
Equity-settled share-based transaction (Note 29)	—	—	—	—	480	—	480
At 31 December 2021	275	104,355	5,000	4,177	480	173,075	287,362

Notes:

- (a) The amount represents the nominal amount of paid-in capital of Luocheng Mulao Autonomous County Dinglian Technology Company Limited ("**Dinglian Technology**") (羅城仫佬族自治縣頂聯科技有限責任公司) which conducts the Group's operations. Upon completion of the Group Reorganisation as detailed in Note 2, the amount is transferred from paid-in capital to other reserve.
- (b) According to the relevant requirements in the articles of association of the relevant group entities and the relevant laws and regulatory regime of the People's Republic of China (the "**PRC**"), it is required to transfer 10% of profit after taxation, which is limited to 50% of the paid-in capital, to statutory surplus reserve. The transfer must be made before the distribution of a dividend to equity owners. The statutory surplus reserve is non-distributable other than upon liquidation and can be used to make up the prior year losses, if any.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax	(2,556)	56,929
Adjustments for:		
Interest on lease liabilities	11	8
Interest income from bank deposits	(205)	(96)
Investment income from other financial assets	—	(100)
Depreciation of property and equipment	53	142
Depreciation of right-of-use assets	160	151
Amortisation of intangible assets	3,843	1,855
Impairment losses under expected credit loss model, net of reversal	2,592	195
Share-based payments expenses	480	—
Exchange losses	255	3,480
Operating cash flows before movements in working capital	4,633	62,564
Increase in trade and other receivables	(9,465)	(89,345)
(Decrease) increase in trade and other payables	(10,948)	1,875
(Decrease) increase in contract liabilities	(728)	92
Cash used in operations	(16,508)	(24,814)
Income taxes (paid) refunded	(1,226)	1,162
NET CASH USED IN OPERATING ACTIVITIES	(17,734)	(23,652)
INVESTING ACTIVITIES		
Interest received from bank deposits	205	96
Purchase of property and equipment	—	(1)
Purchase of intangible assets	—	(24,811)
Purchase of other financial assets	—	(22,500)
Proceed from redemption of other financial assets	—	22,600
NET CASH FROM (USED IN) INVESTING ACTIVITIES	205	(24,616)
FINANCING ACTIVITIES		
Payment of lease liabilities	(157)	(163)
Repayment to shareholders	—	(33)
Proceeds from issue of shares	—	112,069
Transaction costs attributable to issue of shares	—	(3,901)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(157)	107,972
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,686)	59,704
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	106,196	48,969
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(254)	(2,477)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	88,256	106,196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL

Sino-Entertainment Technology Holdings Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 of the Cayman Islands on 18 April 2018 by eleven PRC citizens (the “**Registered Shareholders**”) through setting up wholly-owned companies incorporated in the British Virgin Islands (“**BVI**”). The address of the registered office and principal place of business of the Company are disclosed in Corporate Information section to the annual report.

The Company is an investment holding company. The Company and its subsidiaries (the “**Group**”) is principally engaged in publishing and development of mobile games (the “**Listing Business**”) in the PRC. The operations of the Group are conducted by Luocheng Malao Autonomous Country Dinglian Technology Company Limited (“**Dinglian Technolgy**”) (羅城佬自治縣頂聯科技有限責任公司) and its subsidiaries (the “**Operating Entities**”) while Dinglian Technology is legally owned by the Registered Shareholders. The principal activities of its subsidiaries are set out in Note 34 to the consolidated financial statements.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 July 2020.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

2. GROUP REORGANISATION

In preparation of the listing of Company’s shares on the Main Board of the Stock Exchange, the companies comprising the Group underwent the group reorganisation (“**Group Reorganisation**”) as described below.

- (i) On 18 April 2018, the Company was incorporated in Cayman Islands as a limited liability company. As at the date of incorporation, the authorised share capital was US\$50,000 divided into 500,000,000 shares having a par value of US\$0.0001 each, with 100,000,000 shares allotted and issued as fully-paid at par to the initial subscribers, among which 1 share was allotted and issued to McGrath Tonner Corporate Services Limited, which is subsequently transferred to Sun JH Holding Ltd. (“**Sun JH**”), 49,999,999 shares were allotted and issued to Sun JH, 1,000,000 shares were allotted and issued to Leap HJ Holding Ltd. (“**Leap HJ**”), 10,000,000 shares were allotted and issued to Hearty Xi Holding Ltd. (“**Hearty Xi**”), 6,000,000 shares were allotted and issued to LYZ Tech Holding Ltd. (“**LYZ Tech**”), 6,000,000 shares were allotted and issued to Super SY Holding Ltd. (“**Super SY**”), 6,000,000 shares were allotted and issued to Wonder H Holdings Ltd. (“**Wonder H**”), 6,000,000 shares were allotted and issued to Laud HJ Holding Ltd. (“**Laud HJ**”), 5,000,000 shares were allotted and issued to LHTH Tech Holding Ltd. (“**LHTH Tech**”), 5,000,000 shares were allotted and issued to Optimism YJ Holding Ltd. (“**Optimism YJ**”), 3,000,000 shares were allotted and issued to Good CH Holding Ltd. (“**Good CH**”), and 2,000,000 shares were allotted and issued to Knowledge ZH Holding Ltd. (“**Knowledge ZH**”).

Sun JH, Leap HJ, Hearty Xi, LYZ Tech, Super SY, Wonder H, Laud HJ, LHTH Tech, Optimism YJ, Good CH and Knowledge ZH have been incorporated in the BVI and owned as to 100% by Mr. Sui Jiaheng, Mr. Li Haijun, Mr. Huang Xin, Mr. Liang Yuezhong, Ms. Shen Shiyin, Mr. Wu Lihui, Mr. Liang Hanjun, Mr. Liang Hong, Mr. Ou Yajie, Mr. Gao Changhai and Mr. Ke Zhenhua (being the Registered Shareholders), respectively, since their respective incorporation on 11 April 2018 (except for Laud HJ and Knowledge ZH, which were incorporated on 16 April 2018).

2. GROUP REORGANISATION (Continued)

- (ii) On 30 April 2018, Sino-Entertainment (HK) International Holdings Limited (“**Sino-Entertainment (HK)**”) was incorporated in Hong Kong as a limited liability company and wholly-owned by the Company. On 30 April 2018, Sino-Entertainment Technology (HK) Holdings Limited was incorporated in Hong Kong as a limited liability company and wholly-owned by the Company.
- (iii) On 20 September 2018, Khorgos Entertainment Information Technology Company Limited (formerly known as Huocheng Entertainment Information Technology Company Limited) (“**Khorgos Entertainment**”) was established in the PRC in the form of a wholly foreign-owned enterprise and wholly-owned by Sino-Entertainment (HK).
- (iv) On 7 November 2018, Khorgos Entertainment, Dinglian Technology and the Registered Shareholders entered into a series of contractual agreements (collectively, the “**Contractual Arrangements**”), which enables Khorgos Entertainment to obtain control over the financial and operational policies of the Operating Entities and become entitled to economic benefits generated by the Operating Entities. Accordingly, the Operating Entities are accounted for as subsidiaries of Khorgos Entertainment. Details of the Contractual Arrangements are set out below.
- (v) On 17 April 2019, an equity transfer agreement was entered into by Dinglian Technology and Sino-Entertainment (HK), pursuant to which Dinglian Technology agreed to transfer the entire equity interest of SimpliFi Limited (previously named Luocheng Dinglian (International) Limited, “**SimpliFi**”), which is engaged in Listing Business without restrictions imposed by the relevant laws and regulatory regime of the PRC (the “**PRC Laws**”), to Sino-Entertainment (HK) at a consideration of HK\$14,000,000.

Contractual Arrangements

Due to the restrictions imposed by the PRC Laws on foreign ownership of companies engaged in the Listing Business carried out by the Group, the Group conducts a substantial portion of the Listing Business through the Operating Entities. On 7 November 2018, Khorgos Entertainment entered into the Contractual Arrangements with Dinglian Technology and the Registered Shareholders, which enable Khorgos Entertainment and the Group to:

- exercise effective control over the Operating Entities, expose, or has rights, to variable returns from its involvement with the Operating Entities and has ability to affect those returns through its power over the Operating Entities;
- exercise equity holders’ controlling voting rights of the Operating Entities;
- receive substantially all of the economic interest returns generated by the Operating Entities in consideration for the business support, technical and consulting services provided by Khorgos Entertainment;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2. GROUP REORGANISATION (Continued)

Contractual Arrangements (Continued)

- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Operating Entities from the Registered Shareholders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration permitted under the PRC Laws. Khorgos Entertainment may exercise such options at any time until it has acquired all equity interests and/or all assets of the Operating Entities. In addition, the Operating Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Khorgos Entertainment; and
- obtain a pledge over the entire equity interest of the Operating Entities from their equity holders as collateral security, to secure performance of all obligations of Dinglian Technology and the Registered Shareholders under the Contractual Arrangements.

The Group does not have any equity interest in the Operating Entities. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with the Operating Entities and has the ability to affect those returns through its power over the Operating Entities and is considered to have control over the Operating Entities. Consequently, the Company regards the Operating Entities as indirect subsidiaries.

The financial statements balances and amounts of the Operating Entities are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	102,881	240,143
Profit before taxation	11,180	75,328
Non-current assets	6,479	7,465
Current assets	227,451	227,465
Current liabilities	12,544	24,704

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions</i>
Amendments to HKFRS 9, Hong Kong Accounting Standards (“HKAS”) 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>

For the year ended 31 December 2021

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	<i>Insurance Contracts and the related Amendments</i> ³
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ²
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to HKFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)</i> ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ³
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ³
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ³
Amendments to HKAS 16	<i>Property, Plant and Equipment — Proceeds before Intended Use</i> ²
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> ²
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2018–2020</i> ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company (the “Directors”) anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

For the year ended 31 December 2021

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “**Conceptual Framework**”) instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

For the year ended 31 December 2021

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (Continued)

Based on the Group’s outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group’s liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

For the year ended 31 December 2021

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKFRSs Annual Improvements to HKFRSs 2018–2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 *Fair Value Measurement* by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis for preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (“**Listing Rules**”) on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised in Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset or services.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

The Group recognises revenue from the following sources: (i) Publishing of third party games with third party platforms; (ii) publishing of self-developed mobile games with other publishing service providers; and (iii) development and sales of games.

(i) Publishing of third party games with third party platforms

The Group is a co-publisher of mobile games developed by third party game developers, and earns game publishing service revenue by publishing them to the game players through the third party platforms. The games are operated under a free-to-play model whereby game players can play the games free of charge and are charged for the purchase of game tokens or other virtual items via payment channels, such as the various mobile carriers and third party internet payment systems.

The Group is engaged by the game publishers to provide publishing related services, e.g. marketing, promotion, navigating the game players to register and recharge in the game, etc. Proceeds from game tokens or other virtual items are collected by the game developers or game publishers themselves who have the primary responsibility for the mobile game operation. The Group views the game publishers as its customers and generally charges the game publishers for the publishing related services on a cost-per-click, cost-per-action or cost-per-sales basis, pursuant to which the Group bills the game publishers based on the number of clicks, on actions including downloading, installing, registration, recharging, etc. that game players complete or revenue tracked from the game players. In order to provide such publishing related services to the game publishers, the Group engages other major online platforms to navigate the game players.

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

(i) Publishing of third party games with third party platforms (Continued)

As the Group is solely responsible for identifying, contracting with and maintaining the relationship of the other major online platforms, the service fees charged by the other online platforms are included in cost of sales. Service fees per sales based on pre-agreed percentage of the revenue tracked, service charges of payment channels and service fees per time, action, click, etc., are included in cost of sales when incurred.

Revenue is recognised over time as the customer simultaneously receives and consumes the benefits of the Group's performance over time.

The contracts with customers are with variable consideration and the duration is within one year.

(ii) Publishing of self-developed mobile games with other publishing service providers

The Group is also engaged in operating self-developed mobile games. The self-developed mobile games are published with other game publishing service providers under various game distribution arrangements. The Group has also entered into revenue sharing agreements with other game publishing service providers. Under these agreements, in-game fee is firstly collected by the game publishing service providers and then paid to the Group after deduction of predetermined service fees of the game publishing service providers. The Group has the primary responsibilities for the hosting and maintenance of the game servers and providing the game content to the game players and have the right to determine the pricing of in-game virtual items and the specification, modification or any update of the game themselves. The game publishing service providers' responsibilities to the Group are publishing, providing payment solution, market promotion service and customer service and maintaining the access portal network. Both the game publishing service providers and the Group have responsibilities to ensure the game players can continue to gain access to the mobile game to get the game experience and benefit after the sale of the virtual items. The revenue derived from publishing of self-developed mobile games with other publishing service providers are recorded on a gross basis as the Group acts as a principal to fulfil primary obligation related to the game operation. The amounts withheld by the publishing channels and other game publishing service providers are recorded as cost of sales.

The Group has determined that it is obliged to provide on-going services to the game players. When the game players buy the game tokens, the Group records them as contract liabilities as the Group has not yet passed the control of service. The game players will use the game tokens to purchase consumable virtual items and durable virtual items.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

(ii) *Publishing of self-developed mobile games with other publishing service providers* (Continued)

For consumable virtual items, the Group passes the control of consumable virtual items to the game players when they are purchased. Therefore, the Group recognises revenue at a point in time when the consumable virtual items are purchased.

For durable virtual items, the game players enjoy and benefit ratably during the average playing period of the paying players (the “**Player Relationship Period**”) after the game players purchase the durable virtual items. It meets the criteria of revenue recognition over time that the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs. Therefore, the revenue is recognised over the Player Relationship Period.

The Group estimates the Player Relationship Period on a game-by-game basis and reassesses such period semi-annually. If there is insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, the Group estimates the Player Relationship Period based on other similar types of games until the new game has established its own patterns and history.

The Group also estimate the players’ unexercised right (the “**breakage**”) based on historical consumption pattern and revenue for the expected breakage amount is recognised when the likelihood of the player exercising the remaining rights becomes remote.

The contracts with customers are with variable consideration and the duration is within one year.

(iii) *Development and sales of games*

Revenue from sales of games is recognised at a point in time when the customer obtains the control of games (i.e. the customer issued game acceptance document) and the Group has present right to payment and the collection of the consideration is probable.

The contracts with customers are with fixed consideration and the duration is within one year.

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or the services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the expected value method.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Leases

Definition of a lease

A contract is, or 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.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to lease certain office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation), or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Foreign currencies (Continued)

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and defined state-managed retirement schemes in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Share-based payments

Equity settled share-based payments transactions

Share award

The Group grants shares of the Company to employees under its share award plan, under which the awarded shares are either newly issued or are purchased from the open market. The net consideration paid, including any directly attributable incremental costs, is presented as “share-based payment reserve” and deducted from equity.

For the shares granted under the share award plan, the fair value of shares granted to employees is recognised as share-based payment expenses with a corresponding increase in share-based payment reserve within equity. The fair value is based on the closing price of the Company’s shares on grant date plus any directly attributable incremental costs. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest with corresponding adjustment to the share-based payment reserve.

When the awarded shares are transferred to the awardees upon vesting, the related acquisition cost of the awarded shares vested are credited to the “share-based payment reserve”, and the grant date fair value of the awarded shares vested are debited to the share-based payment reserve. The difference between the related weighted average acquisition cost and the grant date fair value of the awarded shares vested is transferred to retained profits directly.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit (loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Intangible assets (Continued)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised as immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or liabilities at fair value through profit or loss (“**FVTPL**”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liabilities and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income which are derived from the Group’s ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following condition are subsequently measured at fair value through other comprehensive income (“**FVTOCI**”):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the “other gains or losses” line item.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss (“**ECL**”) model on financial assets (including trade and other receivables and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

For the year ended 31 December 2021

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities including trade and other payables and lease liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Contractual arrangements

The Group conducts a substantial portion of the Listing Business in the PRC through the Operating Entities due to restrictions imposed by the PRC Laws on foreign ownership of companies engaged in the Listing Business carried out by the Group. The Group does not have any equity interest in the Operating Entities. The Directors assessed whether or not the Group has control over the Operating Entities based on whether the Group has rights to variable returns from its involvement with the Operating Entities and has the ability to affect those returns through its power over the Operating Entities. After assessment, the Directors concluded that the Group has control over the Operating Entities as a result of the Contractual Arrangements and other measures and accordingly, the Group has consolidated the financial information of the Operating Entities during the reporting periods.

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Operating Entities and uncertainties presented by the legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Operating Entities. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements among Khorgos Entertainment, Dinglian Technology and the Registered Shareholders are in compliance with the relevant PRC Laws and are legally enforceable.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

For the year ended 31 December 2021

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimates of the Player Relationship Period in the Group's publishing of self-developed mobile games with other publishing service providers

The Group's revenue from durable virtual items in respect of publishing of self-developed mobile games with other publishing service providers are recognised ratably over the Player Relationship Period. The determination of Player Relationship Period of each game is based on the Group's management's estimation that takes into account relevant information including the game players' first and last login time, the return time since last login, consumption patterns as well as recharge behaviour, etc. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for prospectively as a change in accounting estimate.

Deferred tax asset

As at 31 December 2021, no deferred tax asset (2020: deferred tax assets approximately RMB441,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the unused tax losses of approximately RMB18,812,000 (2020: Nil) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially the uncertainty on how the COVID-19 pandemic may progress and evolve. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Provision of ECL for trade receivables and other receivables

The Group uses provision matrix to calculate ECL for the trade receivables under simplified approach. The provision rates are based on aging analysis as groupings of various debtors that have similar loss patterns. The provision matrix is based on internal credit ratings and the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The Directors make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

The provision of ECL is sensitive to changes in estimates. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could lead to increased credit default rates. The information about the ECL and the Group's trade and other receivables are disclosed in Notes 31(b) and 20 respectively.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment of intangible assets

Intangible assets are stated at costs less accumulated amortisation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operation.

As at 31 December 2021, the carrying amount of intangible assets is approximately RMB32,061,000. No impairment loss in respect of intangible assets has been recognised for the year ended 31 December 2021. Detail of the impairment assessment is disclosed in Note 19.

6. REVENUE

Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for publishing of third parties games and publishing of self-developed mobile games with other publishing service providers by the Group as well as the development and sales of games to external customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6. REVENUE (Continued)

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2021

	Publishing of third parties games RMB'000	Publishing of self-developed mobile games RMB'000	Development and sales of games RMB'000	Total RMB'000
Geographical markets				
The PRC	92,567	3,209	8,491	104,267
Time of revenue recognition				
At a point in time	—	351	8,491	8,842
Over time	92,567	2,858	—	95,425
Total	92,567	3,209	8,491	104,267

For the year ended 31 December 2020

	Publishing of third parties games RMB'000	Publishing of self-developed mobile games RMB'000	Development and sales of games RMB'000	Total RMB'000
Geographical markets				
The PRC	123,458	87,723	29,245	240,426
Time of revenue recognition				
At a point in time	—	1,516	29,245	30,761
Over time	123,458	86,207	—	209,665
Total	123,458	87,723	29,245	240,426
			2021 RMB'000	2020 RMB'000

The contracts with customers are with:

Variable consideration

Fixed price

95,776

8,491

104,267

211,181

29,245

240,426

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers

All contracts with customers are for period of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

For the year ended 31 December 2021

7. OPERATING SEGMENTS

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by Mr. Sui Jiaheng, an executive director of the Company, and Mr. Li Tao, a chief executive officer of the Company, being the chief operating decision makers (the “**CODM**”), in order for the CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The CODM regularly reviews revenue analysis by services and products to assess performance and allocation of resources. Other than revenue analysis, no other operating results and other discrete financial information is provided for the assessment of performance. The CODM reviews the financial results of the Group as a whole to make decision. Accordingly, only entity-wide disclosures are presented.

Geographical information

The Group’s operations are located in the PRC.

Information about the Group’s revenue from external customers is presented based on the location of the customers. Information about the Group’s non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
The PRC	104,267	240,426	32,293	36,163

Note: Non-current assets excluded deferred tax assets.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group’s revenue during the reporting periods is as follows:

	2021 RMB'000	2020 RMB'000
Customer A (Note a)	32,382	39,414
Customer B (Note a)	24,121	N/A*
Customer C (Note a)	14,999	N/A*
Customer D (Note a)	11,083	N/A*

* Less than 10% of the Group’s total revenue.

Notes:

- (a) Revenue from publishing of third parties games.
- (b) The Group has a large number of game players for revenue from publishing of self-developed mobile games with other publishing service providers. No revenue from any individual game player exceeded 10% or more of the Group’s revenue during the reporting periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

8. OTHER INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Government grant (<i>Note</i>)	6,510	1,400
Value-added tax refund	102	405
Interest income from bank deposits	205	96
	6,817	1,901

Note: During the year ended 31 December 2021, the amounts received represent the rewards from the government for enterprise listing, enterprise development and enterprise of high and new technology activities which was one-off in nature. During the year ended 31 December 2020, the amounts received represent the rewards from the government for continuing involvement in research and development activities which was one-off in nature. There are no unfulfilled conditions and other contingencies relating to these grants.

9. OTHER GAINS AND LOSSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Net foreign exchange loss	(975)	(4,731)
Fair value gain on other financial assets	—	100
Others	—	(11)
	(975)	(4,642)

10. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Reversal of impairment losses on:		
— Trade receivables	186	161
Impairment losses on:		
— Trade receivables	(2,349)	(356)
— Other receivables	(429)	—
	(2,592)	(195)

Details of impairment assessment are set out in Note 31(b).

For the year ended 31 December 2021

11. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Current tax:		
PRC enterprise income tax (“EIT”)	159	949
Over provision in prior years:		
Hong Kong Profits Tax	—	(10)
Deferred tax (Note 25):		
Current year	235	(295)
Income tax expense	394	644

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years. No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Pursuant to the relevant regulations issued by the State Administration of Taxation, the Ministry of Finance, and/or other government authorities, software enterprises shall be exempted from EIT for two years from the first profit-making year and shall be taxed at half of the statutory tax rate from the third to the fifth year. Dinglian Technology entered into the first profit-making year in 2016, but it was not qualified as a software enterprise in 2016. Dinglian Technology obtained the certificate of software enterprise on 24 July 2017. Therefore, Dinglian Technology's first qualified profit-making year was 2017 and the tax rates were 25%, 0%, 12.5%, 12.5%, 12.5% in the respective years from 2016 to 2020. Dinglian Technology was accredited to “High and New Technology Enterprise” in December 2020 and is subject to tax rate of 15% for 2021. During the year ended 31 December 2021, Dinglian Technology incurred a tax loss after taking into account the Super Deduction (as defined below), accordingly no EIT is recognised (2020 : EIT is recognised as incurred a tax profit after taking into account the Super Deduction).

Pursuant to Cai Shui [2011] No. 112 issued by State Administration of Taxation and the Ministry of Finance, from 1 January 2010 to 31 December 2020, a newly established enterprise, which complies with the “Announcement of the preferential enterprise income tax in respect of the two special Kashi and Khorgos economic development zones in Xinjiang Province”, is entitled to an EIT exemption for five years, commencing from the first operating revenue-making year. The Group's subsidiaries, Khorgos Dinglian Interactive Network Technology Company Limited* (“**Khorgos Dinglian Interactive**”) 霍爾果斯頂聯互動網絡科技有限公司 and Khorgos Entertainment, which are incorporated in Khorgos economic development zones in Xinjiang Province, are entitled to such EIT exemption for the years 2020 and 2021. The Group's two other subsidiaries, Khorgos Sino-Entertainment Information Technology Company Limited* (“**Khorgos Sino-Entertainment Information**”) 霍爾果斯新娛科信息技術有限公司 and Khorgos Dinglian Network Technology Company Limited* (“**Khorgos Dinglian Network**”) 霍爾果斯頂聯網絡科技有限公司, which are newly incorporated during the year ended 31 December 2020 in Khorgos economic development zones in Xinjiang Province, are entitled to such EIT exemption for the years 2020 and 2021.

* The English name is for identification purpose only

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

11. INCOME TAX EXPENSE (Continued)

Pursuant to Cai Shui [2011] No. 58 issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation, National Development and Reform Commission Order No.15, Announcement of the State Administration of Taxation [2012] No. 12 and Announcement of the State Administration of Taxation [2015] No. 14, from 1 January 2011 to 31 December 2020, a newly established enterprise which complies with these policies is entitled to 15% preferential tax rate for the period from date of establishment to 31 December 2020. As Beihai Dinglian Technology Company Limited* (“**Beihai Dinglian**”) 北海頂聯科技有限公司, a subsidiary of the Company established in 2017, complied with the above policies, it is entitled to 15% preferential EIT rate for the year 2019. In 2020, Beihai Dinglian also fulfils the requirement of small and micro enterprises and is subject to 20% preferential EIT pursuant to Cai Shui [2019] No. 13 issued by Ministry of Finance and 40% tax-free exemption pursuant to Gui Zheng Fa [2014] No. 5 issued by People’s Government of Guangxi Zhuang Autonomous Region and it selects to apply the small and micro enterprise preferential EIT in 2021 and 2020.

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprise engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“**Super Deduction**”). The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits for the reporting periods.

The income tax expense for the year can be reconciled from the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 RMB'000	2020 RMB'000
(Loss) profit before tax	(2,556)	56,929
Tax at PRC EIT rate of 25% (2020: 25%)	(639)	14,232
Tax effects of expenses not deductible for tax purposes	2,369	3,043
Tax effects of income not taxable for tax purposes	(996)	(4,134)
Effect of tax exemption on concessionary rates granted to PRC subsidiaries	(2,676)	(9,283)
Super Deduction for research and development expenses	(2,183)	(3,368)
Tax effect of deductible temporary differences not recognised	(184)	184
Tax effect of tax losses not recognised	4,703	—
Utilisation of tax losses previously not recognised	—	(20)
Over provision in prior years	—	(10)
Income tax expense for the year	394	644

* The English name is for identification purpose only

For the year ended 31 December 2021

12. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging:

	2021 RMB'000	2020 RMB'000
Staff cost		
Directors' and chief executive's emoluments (<i>Note 13</i>)	1,247	1,143
Other staff cost	6,157	12,825
Retirement benefit scheme contributions for other staff	739	115
Share-based payments (<i>Note 29</i>)	480	—
Total staff cost (<i>Notes a and b</i>)	8,623	14,083
Depreciation and amortisation		
Depreciation of property and equipment	53	142
Depreciation of right-of-use assets	160	151
Amortisation of intangible assets	3,843	1,855
Total depreciation and amortisation (<i>Note a</i>)	4,056	2,148
Auditors' remuneration		
— Audit service	1,026	1,764
— Non-audit service (<i>Note c</i>)	550	500
Research and development expenses (<i>Note a</i>)	14,860	21,074
Legal and professional fees	4,359	2,840

Notes:

- (a) Research and development expenses consist of staff costs for the Group's research and development personnel of approximately RMB2,167,000 (2020: approximately RMB7,684,000), depreciation of property and equipment amounting to approximately RMB12,000 (2020: approximately RMB49,000) and amortisation of intangible assets of approximately RMB156,000 (2020: approximately RMB496,000) for the year ended 31 December 2021 which are also included in "Total staff costs" and "Total depreciation and amortisation" respectively, as above.
- (b) Payment of social welfare pension amounting to approximately RMB1,412,000 was waived by the PRC government due to the outbreak of COVID-19 during the year ended 31 December 2020. There was no waiver for the payment of social welfare pension during the year ended 31 December 2021.
- (c) Non-audit service included the review of interim financial information of the Group for the six months ended 30 June 2021 and 2020 and the procedures in respect of the continuing connected transactions during the year ended 31 December 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

2021	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors				
Mr. Sui Jiaheng	396	28	33	457
Mr. He Shaoning (Note b)	38	5	3	46
Mr. Li Tao (Note c)	259	18	21	298
Mr. Li Haijun (Note d)	38	5	4	47
Chief executive officer				
Mr. Li Tao (Note c)	—	153	12	165
Non-executive directors				
Mr. Huang Zhigang	48	—	—	48
Mr. He Shaoning (Note b)	32	5	5	42
Independent non-executive directors				
Ms. Zhang Chunmei (Note a)	48	—	—	48
Mr. Deng Chunhua (Note a)	48	—	—	48
Ms. Chen Nan (Note a)	48	—	—	48
	955	214	78	1,247
2020				
	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors				
Mr. Sui Jiaheng	182	139	3	324
Mr. Li Haijun (Note d)	122	65	1	188
Mr. He Shaoning (Note b)	121	36	1	158
Chief executive officer				
Mr. Li Tao (Note c)	—	382	3	385
Non-executive directors				
Mr. Huang Zhigang	22	—	—	22
Independent non-executive directors				
Ms. Zhang Chunmei (Note a)	22	—	—	22
Mr. Deng Chunhua (Note a)	22	—	—	22
Ms. Chen Nan (Note a)	22	—	—	22
	513	622	8	1,143

For the year ended 31 December 2021

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)*Notes:*

- (a) Ms. Zhang Chunmei, Mr. Deng Chunhua and Ms. Chen Nan, were appointed as independent non-executive directors on 23 April 2020.
- (b) Mr. He Shaoning has been re-designated from an executive director to a non-executive director on 15 April 2021.
- (c) Mr. Li Tao has been appointed as an executive director on 15 April 2021.
- (d) Mr. Li Haijun has resigned as an executive director on 15 April 2021.

The executive directors' and the chief executive officer's emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' and independent non-executive directors' emoluments shown above were for their services as Directors.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2020: Nil).

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year include two executive directors (2020: one executive director and the chief executive officer) of whose remuneration are set out in Note 13 above. The remaining three (2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other benefits	1,043	1,012
Retirement benefit scheme contributions	96	7
Share-based payments	50	—
	1,189	1,019

The number of the highest paid employees who are not the Directors nor the chief executive officer whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2021	2020
Nil to RMB1,000,000	3	3

15. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

16. (LOSS) EARNINGS PER SHARE

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

	2021 RMB'000	2020 RMB'000
(Loss) profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	<u>(2,950)</u>	<u>56,285</u>
	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	400,000	359,189
Effect of dilutive potential ordinary shares: Contingently issuable shares — awarded shares subject to vesting condition (<i>Note</i>)	<u>9,168</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>409,168</u>	<u>359,189</u>

Note :

The computation of diluted loss per share for the year ended 31 December 2021 did not assume the issuance of awarded shares since it would result in a decrease in loss per share for the year which was regarded as anti-dilutive.

The basic and diluted earnings per share are the same for the year ended 31 December 2020, as the effect of over-allotment option is insignificant.

For the year ended 31 December 2021

17. PROPERTY AND EQUIPMENT

	Office equipment <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Total <i>RMB'000</i>
COST			
At 1 January 2020	396	110	506
Additions	1	—	1
At 31 December 2020 and 2021	397	110	507
DEPRECIATION			
At 1 January 2020	216	66	282
Provided for the year	104	38	142
At 31 December 2020	320	104	424
Provided for the year	47	6	53
At 31 December 2021	367	110	477
CARRYING VALUES			
At 31 December 2021	30	—	30
At 31 December 2020	77	6	83

The above items of property and equipment, after taking into account their residual values, are depreciated on a straight-line basis over their estimated useful life as follows:

Office equipment	3 years
Leasehold improvements	3 years

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

18. RIGHT-OF-USE ASSETS

	Leased properties <i>RMB'000</i>	
At 31 December 2021		
Carrying amount		202
At 31 December 2020		
Carrying amount		176
For the year ended 31 December 2021		
Depreciation charges		160
For the year ended 31 December 2020		
Depreciation charges		151
	2021	2020
	RMB'000	<i>RMB'000</i>
Expenses relating to short-term leases	209	173
Total cash outflow for leases	366	336
Additions to right-of-use assets	186	284

For both years, the Group leases office premises for its operations. Lease contracts are entered into for fixed term of one to three years (2020: one to three years) at fixed rentals without renewal option. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for certain offices premises. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

For the year ended 31 December 2021

19. INTANGIBLE ASSETS

	Licenses <i>RMB'000</i>
COST	
At 1 January 2020	14,953
Addition	24,811
Disposal	(1,132)
	<hr/>
At 31 December 2020 and 2021	38,632
AMORTISATION	
At 1 January 2020	1,128
Charge for the year	1,855
Eliminated on disposal	(255)
	<hr/>
At 31 December 2020	2,728
Charge for the year	3,843
	<hr/>
At 31 December 2021	6,571
CARRYING VALUE	
At 31 December 2021	32,061
	<hr/>
At 31 December 2020	35,904
	<hr/>

Pursuant to the fiction and animation copyright agreements entered between the Group and the fiction and animation copyright owners, the Group pays loyalty fees to the fiction and animation copyright owners as the Group is entitled to develop, publish and operate mobile games based on the fiction and animation copyright. The Group recognises the loyalty fees as intangible assets. These intangible assets are initially recorded at cost and amortised on a straight-line basis over the license period of 10 years.

During the year ended 31 December 2020, the Group sold a self-developed mobile game together with the related fiction and animation copyright to an independent third party and recognised revenue of approximately RMB7,547,000 and recorded under development and sales of games. Accordingly, the carrying amount of the related copyright of approximately RMB877,000 were recognised as cost of sales during the year.

For the year ended 31 December 2021

19. INTANGIBLE ASSETS (Continued)

Impairment assessment of intangible assets

During the current year, as a result of prolonged pre-approval time of the National Press and Publication Administration in China of mobile games in the industry which significantly impact the business of publishing the mobile games, the management of the Group concluded that there was indication of impairment and conducted impairment assessment on recoverable amount on intangible assets with finite useful lives.

For the purpose of impairment testing, licenses which are recognised as intangible assets with finite useful lives have been allocated to one individual cash-generating unit, comprising two subsidiaries engaged in publishing and development of mobile games.

For impairment testing purpose, the recoverable amount of that cash-generating unit has been determined based on the value in use calculation by reference to valuation carried out by Masterpiece Valuation Advisory Limited, an independent qualified professional valuer. The calculation uses cash flow projections based on financial budgets approved by the management covering a 9-year period, and pre-tax discount rate of 30.6%. There is no steady growth rate beyond the 9-year period cash flows as the useful life of intangible assets were expired. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales ranged from approximately RMB38,000,000 to RMB150,000,000 and gross margin ranged from 40.5% to 44.0%, such estimation is based on the cash generating units' past performance and management's expectations for the market development.

The recoverable amount of the cash-generating unit is estimated to exceed the carrying amount of the cash-generating unit at 31 December 2021 by approximately RMB15,525,000. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the cash-generating unit to exceed the recoverable amount of the cash-generating unit.

For the year ended 31 December 2021

20. TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables — contracts with customers	106,328	126,320
Less: Allowance for credit losses	(2,519)	(356)
Trade receivables, net (<i>Note a</i>)	103,809	125,964
Down payments to game publishers — refundable	33,380	36,313
Less: Allowance for credit losses	(429)	—
Down payments to game publishers — refundable, net (<i>Note b</i>)	32,951	36,313
Down payments to game publishers — non-refundable (<i>Note b</i>)	19,220	4,293
Advances to suppliers	20,188	2,622
Deposits and prepayments	236	1,319
Value-added tax recoverable	2,717	1,736
Other receivables, deposits and prepayments, net	75,312	46,283
Trade and other receivables, net	179,121	172,247

Notes:

(a) At 1 January 2020, trade receivables from contracts with customers amounted to approximately RMB49,002,000.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the date of delivery of goods or monthly statements issued, at the end of the reporting periods:

	2021 RMB'000	2020 RMB'000
0 to 90 days	16,537	73,868
91 to 180 days	24,850	32,332
181 to 365 days	44,897	19,764
Over one year	17,525	—
	103,809	125,964

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

20. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(a) (Continued)

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB64,939,000 (2020: approximately RMB19,820,000) which are past due as at the reporting date. Out of the past due balances, approximately RMB36,528,000 (2020: approximately RMB15,133,000) has been past due 90 days or more and is not considered as in default as the counterparties are mainly well-known game publishers/game publishing service providers in the PRC and have good repayment history. Approximately of RMB7,244,000 is considered as in default as it has been past due over one year. The Group does not hold any collateral over these balances.

(b) The Group have made the non-refundable and refundable down payments to the game publishing partners for securing the publishing rights of new games.

Details of impairment assessment of trade and other receivables are set out in Note 31(b).

21. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturity of three months or less. As at 31 December 2021, the bank balances carried interest at the prevailing market rate of 0.005% to 0.35% per annum (2020: 0.01% to 0.35% per annum).

Included in bank balances and cash are the following amounts denominated in currencies other than the group entities' functional currencies:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Hong Kong Dollars ("HK\$")	12,046	40,395
United States Dollars ("US\$")	141	21

Included in the bank balances and cash are the following amounts which are subject to foreign exchange control regulations and not freely transferable:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Amounts denominated in RMB	47,782	64,974

Details of impairment assessment of bank balances are set out in Note 31(b).

For the year ended 31 December 2021

22. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	7,334	15,094
Other tax payables	134	2,431
Payroll and welfare payables	441	704
Accrued listing expenses and accrued issued cost	—	294
Accrued expenses	476	850
Others	59	17
	8,444	19,390

The credit period on services provided by suppliers is generally from 30 to 90 days.

The following is an aged analysis of trade payables presented based on the receipt of services or monthly statements issued at the end of the reporting period.

	2021 RMB'000	2020 RMB'000
0 to 30 days	1,111	4,418
31 to 60 days	2,070	5,233
61 to 90 days	2,109	3,030
91 to 180 days	2,034	2,413
Over 180 days	10	—
	7,334	15,094

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23. LEASE LIABILITIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Lease liabilities payable:		
Within one year	105	143
Within a period of more than one year but not exceeding two years	86	23
Within a period of more than two years but not exceeding five years	15	—
	206	166
Less: amount due for settlement with 12 months shown under current liabilities	(105)	(143)
Amount due for settlement after 12 months shown as non-current liabilities	101	23

The weighted average incremental borrowing rates applied to lease liabilities is 4.35% (2020: 4.35%).

24. CONTRACT LIABILITIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Contract liabilities		
— Publishing of self-developed mobile games	—	728

As at 1 January 2020, contract liabilities amounted to approximately RMB636,000.

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on the Group's earliest obligation to transfer goods or services to the customers.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

For the year ended 31 December 2021

24. CONTRACT LIABILITIES (Continued)**Publishing of
self-developed
mobile games**
RMB'000

For the year ended 31 December 2021	
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	728
For the year ended 31 December 2020	
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	636

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Publishing of self-developed mobile games

As at 31 December 2020, contract liabilities consist of the unamortised revenue from sales of game tokens and other virtual items for mobile games in respect of publishing of self-developed mobile games with other publishing service providers as the Group has an implied obligation to provide services for the unused game tokens and the durable virtual items over the Player Relationship Period.

As at 31 December 2021, no contract liabilities for the unamortised revenue from sales of game tokens and other virtual items for mobile games in respect of publishing of self-developed mobile games with other publishing service providers due to no new self-developed mobile games was published since April 2021 and all contract liabilities are recognised as revenue during the year ended 31 December 2021.

25. DEFERRED TAX ASSETS

	2021 RMB'000	2020 RMB'000
Deferred tax assets	227	462

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

25. DEFERRED TAX ASSETS (Continued)

The following are the deferred tax assets recognised and movements thereon during the current and prior years:

	ECL allowance RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2020	2	165	167
Credited to profit or loss (Note 11)	19	276	295
At 31 December 2020	21	441	462
Debited to profit or loss (Note 11)	206	(441)	(235)
At 31 December 2021	227	—	227

At the end of the reporting period, the Group has unused tax losses of approximately RMB18,812,000 (2020: approximately RMB1,765,000) available for offset against future profits. As at 31 December 2021, no deferred tax asset has been recognised in respect of unused tax losses of approximately RMB18,812,000 due to the unpredictability of future profit streams. As at 31 December 2020, a deferred tax asset has been recognised in respect of unused tax losses of approximately RMB1,765,000.

Included in unrecognised tax losses are losses of approximately RMB18,812,000 (2020: Nil) with expiry dates as disclosed in the following table.

	2021 RMB'000	2020 RMB'000
2025	1,765	—
2026	17,047	—
	18,812	—

As at 31 December 2021, the Group has deductible temporary differences of RMB1,842,000 (2020: RMB907,000). A deferred tax asset of approximately RMB227,000 (2020: approximately RMB21,000) has been recognised in respect of such deductible temporary differences.

As at 31 December 2020, no deferred tax asset has been recognised in respect of RMB738,000 of deductible temporary differences.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB222,733,000 (2020: approximately RMB211,490,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

For the year ended 31 December 2021

26. SHARE CAPITAL

	Number of shares '000	Share capital	
		US\$'000	Shown in the consolidated financial statements RMB'000
<i>Ordinary shares of US\$0.0001 each</i>			
Authorised:			
At 1 January 2020, 31 December 2020 and 2021	500,000	50	
Issued and fully paid:			
At 1 January 2020	100,000	10	69
Capitalisation issue (<i>Note a</i>)	224,000	22	154
Issue of shares on initial public offering (<i>Note b</i>)	76,000	8	52
At 31 December 2020 and 2021	400,000	40	275

Notes:

- (a) On 15 July 2020, the Company allotted and issued a total of 224,000,000 ordinary shares of US\$0.0001 each, debited to the share premium account of the Company by applying such sum of approximately US\$22,000 (equivalent to approximately RMB154,000) at par for allotment and issue to holders of the shares whose names appear on the register of members of the Company at the close of business on 14 July 2020, immediately in proportion (as nearly as possible without involving fractions of a share shall be allotted and issued) to their then existing shareholdings in the Company.
- (b) In connection to the listing of the Company's shares on 15 July 2020, 76,000,000 shares were allotted and issued at the offer price of HK\$1.63 per share by way of the global offering. The Company's shares were listed on the Stock Exchange on 15 July 2020. The proceeds from the global offering was approximately HK\$123,880,000 (equivalent approximately RMB112,069,000).

The proceeds of HK\$59,000 (equivalent to approximately RMB52,000) representing the par value of the new shares of the Company, were credited to the Company's share capital. The remaining proceeds of approximately HK\$123,821,000 (equivalent to approximately RMB112,017,000), before issue expenses of approximately RMB7,508,000, were credited to the Company's share premium. The new shares rank *pari passu* with the existing shares in all respects.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

27. RETIREMENT BENEFITS SCHEME

The employees of the Group's subsidiaries in the PRC are members of the state-managed defined contribution retirement benefits scheme operated by the government of the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of the payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000.

The Group's contributions under the above-mentioned defined contribution retirement plans had no forfeited contributions that may be used to reduce the existing level of contributions.

The total expense recognised in profit or loss of approximately RMB817,000 (2020: approximately RMB123,000) represents contributions paid or payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2021, contributions of approximately RMB55,000 (2020: Nil) due in respect of the year ended 31 December 2021 had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

28. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Short-term employee benefits	1,447	1,398
Post-employment benefits	108	10
Share-based payments	15	—
	<u>1,570</u>	<u>1,408</u>

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

29. SHARE AWARD PLAN

On 15 April 2021 (the “**Adoption Date**”), the Directors approved the adoption of a share award plan (the “**Share Award Plan**”).

Purposes of the Share Award Plan

The purpose of the Share Award Plan are to recognise and reward the contribution of Eligible Participants (as defined below) to the growth and development of the Group, to give incentives to Eligible Participants in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Administration

The Share Award Plan shall be subject to the administration of the board of directors of the Company (the “**Board**”) and the trustee (the “**Trustee**”) in accordance with the terms of the Share Award Plan and the terms of the trust deed (the “**Trust Deed**”). The Trustee shall hold the trust fund in accordance with the terms of the Trust Deed.

Eligibility

Under the rules constituting the Share Award Plan, the following classes of participants (excluding the excluded participants) (the “**Eligible Participants**”) are eligible for participation in the Share Award Plan:

- (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary or any invested entity (an “**Employee**”);
- (b) any non-executive director (including independent non-executive director) of the Company, any subsidiary or any invested entity;
- (c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any invested entity; and
- (d) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the Share Award Plan, the award may be made to any company wholly-owned by one or more of the above participants.

For the year ended 31 December 2021

29. SHARE AWARD PLAN (Continued)

Shares Pool

In order to satisfy any award (the “**Award**”) to be granted under the Share Award Plan from time to time, the Trustee shall maintain a shares pool (the “**Shares Pool**”) which shall comprise the following:

- (a) issued shares as may be purchased by the Trustee on the Stock Exchange or off the market by utilising the funds allocated by the Board out of the Company’s resources;
- (b) issued shares as may be subscribed by the Trustee by utilising the funds allocated by the Board out of the Company’s resources, subject to the Company having obtained the requisite shareholders’ approval in general meeting under general mandate or specific mandate for the allotment and issue of new shares, the grant of listing of and permission to deal in such shares by the Stock Exchange, and compliance with the applicable requirements under the Listing Rules;
- (c) issued shares as may be allotted or issued to the Trustee as a holder of shares, whether by way of scrip dividend or otherwise; and
- (d) issued shares which remain unvested and revert to the Trustee due to the lapse of the Award.

The Trustee may purchase the shares on the Stock Exchange at the prevailing market price (subject to the maximum price as may be from time to time prescribed by the Board), or off the market. In the event that the Trustee effects any purchases by off-market transactions, the purchase price for such purchases shall not be higher than the lower of the following: (i) the closing market price on the date of such purchase, and (ii) the average closing market price for the five preceding trading days on which the shares were traded on the Stock Exchange.

Where any Award is proposed to be made to a connected person and the relevant Award of the shares is to be satisfied by an allotment and issue of new shares (the “**Awarded Shares**”), the Award shall be separately approved by the shareholders in general meeting with such connected person and his associates abstaining from voting and shall comply with all other requirements of Chapter 14A of the Listing Rules applicable to such Award.

29. SHARE AWARD PLAN (Continued)

Award of shares

The Board shall, subject to and in accordance with the rules of the Share Award Plan, be entitled to, at any time during the continuation of the Share Award Plan, make an Award out of the Shares Pool to any of the Eligible Participants such number of shares as it shall determine pursuant to the Share Award Plan.

The eligibility of any of the Eligible Participants to an Award shall be determined by the Board from time to time on the basis of the Board's opinion as to his contribution and/or future contribution to the development and growth of the Group.

The Board shall notify the Trustee in writing upon the making of an Award under the Share Award Plan by giving the Trustee an award notice.

The making of an Award to any connected person of the Company shall be subject to compliance with the applicable Listing Rules.

No Award may be made by the Board during the black-out period.

Vesting of the Awarded Shares

The Board may from time to time, at its discretion, determine the earliest vesting date (the "**Vesting Date**") and other subsequent date(s), if any, subject to and upon which the Awarded Shares held by the Trustee upon trust and which are referable to a selected participant (the "**Selected Participant**") shall vest in that Selected Participant.

At any time prior to a Vesting Date, unless the Board otherwise determines, in respect of a Selected Participant who:

- (a) died, all the Awarded Shares of the Selected Participant shall be deemed to be vested on the Selected Participant on the day immediately prior to his death; or
- (b) (in the case of a Selected Participant who is an Employee) retired at his normal retirement date, all the Awarded Shares of the Selected Participant shall be deemed to be vested on the Selected Participant on the day immediately prior to his normal retirement date; or
- (c) (in the case of a Selected Participant who is an Employee) retired at an earlier retirement date (with prior written agreement given by the Company or the subsidiary or the invested entity), all the Awarded Shares of the Selected Participant shall be deemed to be vested on the Selected Participant on the day immediately prior to his earlier retirement date.

For the year ended 31 December 2021

29. SHARE AWARD PLAN (Continued)

Lapse of Award

In the event that the Selected Participant who is an Employee ceases to be an Employee by virtue of a corporate reorganisation of the Group or the invested entity, then any Award made to such Selected Participant, to the extent not already vested, shall forthwith lapse and be cancelled.

An Award (or, as the case may be, the relevant part of an Award) shall, under the following circumstances and subject to the terms of the Share Award Plan, automatically lapse forthwith and all the Awarded Shares (or, as the case may be, the relevant Awarded Shares) are not vested and/or are forfeited in accordance with the terms of the Share Award Plan (the “**Returned Shares**”):

- (a) the Selected Participant ceases to be an Employee (other than for reason as provided in the paragraph headed “Vesting of the Awarded Shares” above); or
- (b) the subsidiary or invested entity by which a Selected Participant is employed or, in respect of a deceased or retired Selected Participant as provided in the paragraph headed “Vesting of the Awarded Shares” above, was employed immediately prior to his death or retirement, ceases to be a subsidiary or invested entity of the Company (or of a member of the Group); or
- (c) the Board shall at its absolute discretion determine in respect of a Selected Participant (other than a Selected Participant who is an Employee) that (i) the Selected Participant or his associate has committed any breach of any contract entered into between the Selected Participant or his associate on one part and any member of the Group or any invested entity on the other part as the Board may in its absolute discretion determine; or (ii) the Selected Participant has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (iii) the Selected Participant could no longer make any contribution to the growth and development of any member of the Group or the invested entity by reason of the cessation of its relationship with the Group or its invested entity or by any other reasons whatsoever; or
- (d) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company; or
- (e) a Selected Participant is found to be an excluded participant; or
- (f) subject to the terms of the Share Award Plan, a Selected Participant fails to return the duly executed transfer documents prescribed by the Trustee for the relevant Awarded Shares under the Share Award Plan within the stipulated period.

29. SHARE AWARD PLAN (Continued)

Share Award Plan limit

The total number of shares that can be subscribed for and/or purchased by the Trustee by applying the Group contribution for the purpose of the Share Award Plan shall not exceed 10% of the then total number of issued shares from time to time (without taking into account the number of shares to be subscribed for). The Board shall not instruct the Trustee to subscribe for and/or purchase any shares for the purpose of the Share Award Plan when such subscription and/or purchase will result in such threshold being exceeded.

The total number of shares which may be subject to an award or awards each time granted to a Selected Participant (the “**Awarded Share(s)**”) shall not in aggregate exceed 1% of the total number of issued shares as at the date(s) of such award(s).

Duration of the Share Award Plan and termination of the Share Award Plan

The Share Award Plan shall be valid and effective for a period of 10 years commencing from the Adoption Date but may be terminated earlier as determined by the Board, provided that such termination shall not affect any subsisting rights of any Selected Participant.

If, at the date of the termination of the Share Award Plan, the Trustee holds any share which has not been set aside in favour of any Selected Participant or retains any unutilised funds received as the Group’s contribution, then the Trustee shall, within 21 business days (on which the trading of the shares has not been suspended) after receiving actual notice of such termination, sell such shares and remit the proceeds of sale (after making appropriate deductions in respect of stamp duty and other costs, liabilities and expenses in accordance with the Trust Deed) together with such unutilised funds to the Company. Subject to the decision of the Board and subject to the terms of the Share Award Plan, all the awarded shares shall become vested on the Selected Participant on such date of termination upon termination of the Share Award Plan.

On 8 December 2021, the Board has resolved to issue and award a total of 9,167,630 Awarded Shares to 42 Selected Participants under the Share Award Plan.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

29. SHARE AWARD PLAN (Continued)

Duration of the Share Award Plan and termination of the Share Award Plan (Continued)

Details of Awarded Shares granted by the Company pursuant to the Share Award Scheme during the year ended 31 December 2021 are as follows:

Grant date	Fair value per share RMB	Vesting date	Number of Awarded Shares				
			At 1 January 2021	Granted	Vested	At 31 December 2021	
8 December 2021	3.98	30 November 2022	—	1,833,526	—	—	1,833,526
8 December 2021	3.98	30 November 2023	—	2,750,289	—	—	2,750,289
8 December 2021	3.98	30 November 2024	—	4,583,815	—	—	4,583,815
			—	9,167,630	—	—	9,167,630

The Awarded Shares will be vested subject to the satisfactory evaluation of the performance of the Selected Participants at the end of the year.

The fair value of the Awarded Shares was calculated based on the closing price of the Company's shares at the respective grant date.

9,167,630 Awarded Shares have been granted to 42 Selected Participants on 8 December 2021. The vesting period is from 30 November 2022 to 30 November 2024.

During the year ended 31 December 2021, the fair value of the Awarded Shares granted was approximately RMB480,000 and the Group recognised share-based payments expenses of approximately RMB480,000. No awarded share is vested by the Selected Participants during the year ended 31 December 2021.

The allotment and issue of 9,167,630 Awarded Shares to the Trustee pursuant to the general mandate was completed on 10 January 2022.

For the year ended 31 December 2021

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising share capital and reserves as disclosed in the consolidated statement of changes in equity.

The Directors review the capital structure regularly. The management considers the cost of capital and the risks associated with each class of capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through new share issues of the Company.

31. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Financial assets		
— Amortised cost	<u>225,127</u>	<u>269,651</u>
Financial liabilities		
— Amortised cost	<u>8,516</u>	<u>17,125</u>

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risks

(i) Foreign currency risk

Several subsidiaries of the Company have foreign currency bank balances and other receivables which expose the Group to foreign currency risk.

The carrying amounts of Group's foreign currency denominated monetary assets at the reporting date are as follows:

	Assets	
	2021	2020
	RMB'000	RMB'000
HK\$	12,170	40,395
US\$	141	1,038

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period. A positive (negative) number below indicates a decrease (increase) in loss (2020: increase (decrease) in profit) after taxation where the functional currencies of each group entity strengthens 5% against the relevant foreign currencies. For a 5% weakening of the functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss (profit) after taxation.

	2021	2020
	RMB'000	RMB'000
HK\$	(609)	(2,020)
US\$	(7)	(52)

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS (Continued)**b. Financial risk management objectives and policies** (Continued)**Market risks** (Continued)*(ii) Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to the lease liabilities. The Directors consider the fair value interest rate risk on the fixed rate lease liabilities is insignificant as the lease period are relatively short and the exposure is limited.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances.

Total interest income from financial assets that are measured at amortised cost is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Financial assets at amortised cost	205	96

Interest expense on financial liabilities not measured at FVTPL:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Financial liabilities at amortised cost	11	8

No sensitivity analysis is presented for bank balances as the Directors consider the Group's exposure to cash flow interest rate risk is not material.

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment are summarised as below:

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assesses the potential customer's credit quality and reputation and enterprise in the game publishing services industry, assign an internal credit rating and defines credit limits by customer. Limits and scoring attributed to customers are reviewed on a periodic basis. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

As at 31 December 2021, the Group has concentration of credit risk on trade receivables as 88% (2020: 64%) of the total trade receivables were due from the Group's five largest customers, which are well-known game publishers/game publishing service providers in the PRC with good reputation in the industry. The Group's concentration of credit risk by geographical location is in PRC, which accounted for 100% (2020: 100%) of the total trade receivables as at 31 December 2021.

In addition, the Group performs impairment assessment under ECL model on trade receivables with significant balances and credit-impaired individually and/or collectively. Except for significant balances, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to the Group's internal credit rating. Impairment loss (net of reversal) of approximately RMB2,163,000 (2020: approximately RMB195,000) was recognised during the year ended 31 December 2021. Details of the quantitative disclosures are set out below in this note.

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS (Continued)**b. Financial risk management objectives and policies** (Continued)**Credit risk and impairment assessment** (Continued)*Other receivables and deposit*

For other receivables, the Directors make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Directors believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. Impairment loss of approximately RMB429,000 (2020: Nil) was recognised on other receivables for the year ended 31 December 2021.

For deposit, the management has assessed that the expected loss rate for the deposit was immaterial and hence no loss allowance was recognised for both years ended 31 December 2020 and 2021.

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant and therefore no loss allowance was recognised.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The table below details the credit risk exposure of the Group's financial assets, which are subject to ECL assessment.

	External credit Note rating	Internal credit rating	12m or lifetime ECL	2021 Gross carrying amount RMB'000	2020 Gross carrying amount RMB'000
Financial assets at amortised cost					
Trade receivables — contracts with customers	20	N/A	(Note 2) Lifetime ECL (collective assessment)	106,328	126,320
Other receivables	20	N/A	(Note 1) 12m ECL	33,380	36,313
Deposit	20	N/A	N/A 12m ECL	111	1,178
Bank balances	21	A1–A3	N/A 12m ECL	88,256	106,196

Notes:

- For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due RMB'000	Not past due RMB'000	Total RMB'000
2021 Other receivables	—	33,380	33,380
2020 Other receivables	—	36,313	36,313

- For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired balances, the Group determines the ECL on these items on a collective basis, grouped by internal credit rating.

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS (Continued)**b. Financial risk management objectives and policies** (Continued)**Credit risk and impairment assessment** (Continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis within lifetime ECL (not credit-impaired).

Internal credit rating	Trade receivables <i>RMB'000</i>	Average loss rate	Expected credit loss <i>RMB'000</i>
As at 31 December 2021			
Low risk	99,084	0.48%	474
Loss	7,244	28.23%	2,045
			2,519
As at 31 December 2020			
Low risk	79,459	0.12%	94
Watch list	46,861	0.56%	262
			356

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2021, the Group provided approximately RMB2,519,000 (2020: RMB356,000) impairment allowance for trade receivables based on collective assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2020	161	—	161
Changes due to financial instruments recognised as at 1 January 2020:			
— Impairment losses reversed	(161)	—	(161)
New financial assets originated	356	—	356
As at 31 December 2020	356	—	356
Changes due to financial instruments recognised as at 1 January 2021:			
— Impairment losses recognised	—	1,986	1,986
— Impairment losses reversed	(186)	—	(186)
— Transfer to credit-impaired	(59)	59	—
New financial assets originated	363	—	363
As at 31 December 2021	474	2,045	2,519

Changes in the loss allowance for trade receivables are mainly due to:

	2021 Increase in lifetime ECL (credit- impaired) RMB'000
Debtors with gross carrying amount of RMB7,244,000 defaulted	1,986

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS (Continued)**b. Financial risk management objectives and policies** (Continued)**Credit risk and impairment assessment** (Continued)

The following tables show reconciliation of loss allowances that has been recognised for other receivables:

	12m ECL <i>RMB'000</i>
As at 1 January 2020, 31 December 2020 and 1 January 2021	—
Changes due to financial instruments recognised as at 1 January 2021:	
— Impairment losses recognised	387
New financial assets originated	42
As at 31 December 2021	429

Changes in the loss allowance for other receivables are mainly due to:

	2021 Increase in 12m ECL <i>RMB'000</i>
Increase in credit risk of other receivables with gross carrying amount of approximately RMB30,081,000	387

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirement. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

In the management of the liquidity risk, the Group monitors and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average interest rate %	On demand or less than 6 months RMB'000	6 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2021						
Trade and other payables	N/A	8,310	—	—	8,310	8,310
Lease liabilities	4.35	67	44	104	215	206
		<u>8,377</u>	<u>44</u>	<u>104</u>	<u>8,525</u>	<u>8,516</u>

	Weighted average interest rate %	On demand or less than 6 months RMB'000	6 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2020						
Trade and other payables	N/A	16,959	—	—	16,959	16,959
Lease liabilities	4.35	74	74	23	171	166
		<u>17,033</u>	<u>74</u>	<u>23</u>	<u>17,130</u>	<u>17,125</u>

For the year ended 31 December 2021

31. FINANCIAL INSTRUMENTS (Continued)**c. Fair values of financial instruments**

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their respective fair values.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Lease liabilities <i>RMB'000</i>	Accrued issue cost <i>RMB'000</i>	Amounts due to shareholders <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020	37	1,004	33	1,074
Financing cash flows	(163)	(3,901)	(33)	(4,097)
Issue cost accrued	—	2,897	—	2,897
Finance cost accrued	8	—	—	8
New leases entered	284	—	—	284
At 31 December 2020	166	—	—	166
Financing cash flows	(157)	—	—	(157)
Finance cost accrued	11	—	—	11
New leases entered	186	—	—	186
At 31 December 2021	206	—	—	206

33. RESTRICTIONS ON ASSETS

Lease liabilities of approximately RMB206,000 are recognised with related right-of-use assets of approximately RMB202,000 as at 31 December 2021 (2020: lease liabilities of approximately RMB166,000 and related right-of-use assets of approximately RMB176,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid capital/registered capital	Shareholding/equity interest attributable to the Company as at		Proportion of voting power held by the Company as at		Principal activities
			2021	2020	2021	2020	
Directly held:							
Sino-Entertainment (HK)	Hong Kong 30 April 2018	HK\$100	100%	100%	100%	100%	Investment holding
Hechi Sino Entertainment Information Technology Company Limited* (河池新娛科信息技術有限公司)	PRC 14 October 2020	HK\$91,000,000 paid-up registered capital and HK\$9,000,000 unpaid registered capital (2020: HK\$80,000,000 paid-up registered capital)	100%	100%	100%	100%	Development, operation and publishing of mobile games
Indirectly held:							
Khorgos Entertainment#	PRC 20 September 2018	RMB1,000,000 paid-up registered capital and RMB49,000,000 unpaid registered capital (2020: RMB1,000,000 paid-up registered capital and RMB49,000,000 unpaid registered capital)	100%	100%	100%	100%	Investment holding and development of mobile games
Khorgos Sino-Entertainment Information#	PRC 16 December 2020	RMB100,000 paid-up registered capital and RMB2,900,000 unpaid registered capital (2020: RMB3,000,000 unpaid registered capital)	100%	100%	100%	100%	Development, operation and publishing of mobile games
Hainan Entertainment Information Technology Company Limited* (海南娛科信息技術有限公司)	PRC 24 August 2020	HK\$10,000,000 unpaid registered capital (2020: HK\$10,000,000 unpaid registered capital)	100%	100%	100%	100%	Development, operation and publishing of mobile games
Shenzhen Sino Entertainment Information Technology Company Limited ("Shenzhen Sino")** (深圳新娛科信息技術有限公司)	PRC 6 December 2021	HK\$1,000,000	100%	N/A	100%	N/A	Development, operation and publishing of mobile games
Southeast Oriental Gaming Technology Pte. Ltd. ("Southeast Oriental")###	Singapore 11 July 2018	SGD\$1.00	100%	N/A	100%	N/A	Development, operation and publishing of mobile games

For the year ended 31 December 2021

34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid capital/registered capital	Shareholding/equity interest attributable to the Company as at		Proportion of voting power held by the Company as at		Principal activities
			2021	2020	2021	2020	
SimpliFi	Hong Kong 2 February 2017	HK\$21,000,000	100%	100%	100%	100%	Development, operation and publishing of mobile games
Controlled by the Company pursuant to the Contractual Arrangements (Note)							
Dinglian Technology	PRC 2 December 2014	RMB5,000,000	100%	100%	100%	100%	Development, operation and publishing of mobile games
Khorgos Dinglian Interactive	PRC 19 July 2017	RMB1,000,000	100%	100%	100%	100%	Development, operation and publishing of mobile games
Beihai Dinglian	PRC 28 September 2017	RMB1,000,000	100%	100%	100%	100%	Development, operation and publishing of mobile games
Khorgos Dinglian Network	PRC 17 December 2020	RMB1,000,000 paid-up registered capital (2020: RMB1,000,000 unpaid registered capital)	100%	100%	100%	100%	Development, operation and publishing of mobile games
Luocheng Dinglian New Entertainment Technology Limited ("Luocheng Dinglian New Entertainment") ^{##} (羅城頂聯新娛科信息技術有限公司)	Hong Kong 28 September 2021	HK\$30,636,000 paid-up registered capital and HK\$29,364,000 unpaid registered capital	100%	N/A	100%	N/A	Development, operation and publishing of mobile games

[#] Wholly foreign-owned enterprise established in the PRC.

^{##} Shenzhen Sino and Luocheng Dinglian New Entertainment were incorporated during the year ended 31 December 2021.

^{###} Southeast Oriental was acquired on 12 August 2021 at a consideration of SGD1. Southeast Oriental was inactive at the date of acquisition and hence the Directors considered that the consideration paid was approximate to its fair value at the acquisition date.

None of the subsidiaries had issued any debt securities at the end of both years or during both years.

Note:

These subsidiaries are controlled through Contractual Arrangements as explained in Note 2. Due to the restrictions imposed by the PRC Laws on foreign ownership of companies engaged in the Listing Business carried out by the Group through the Operating Entities, the Group does not have legal ownership in equity of these subsidiaries.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

35. CAPITAL COMMITMENTS

	2021 RMB'000	2020 RMB'000
Contracted for but not provided in the consolidated financial statements:		
Unpaid registered capital for the subsidiaries	91,542	61,403

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSET		
Investments in subsidiaries	76,461	67,340
CURRENT ASSETS		
Other receivables	124	1,017
Bank balances and cash	1,421	27,073
	1,545	28,090
CURRENT LIABILITIES		
Other payables	476	293
Amounts due to subsidiaries	7,942	22,984
	8,418	23,277
NET CURRENT (LIABILITIES) ASSETS	(6,873)	4,813
NET ASSETS	69,588	72,153
CAPITAL AND RESERVES		
Share capital	275	275
Share premium and reserves	69,313	71,878
TOTAL EQUITY	69,588	72,153

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 29 March 2022 and are signed on its behalf by:

Sui Jiaheng
Director

Li Tao
Director

For the year ended 31 December 2021

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share premium RMB'000	Accumulated losses RMB'000	Share-based payment reserve RMB'000	Total RMB'000
At 1 January 2020	—	(16,744)	—	(16,744)
Loss and total comprehensive expense for the year	—	(15,733)	—	(15,733)
Capitalisation issue	(154)	—	—	(154)
New ordinary shares issued upon listing of the Company's shares	112,017	—	—	112,017
Transaction costs related to the issue of new ordinary shares	(7,508)	—	—	(7,508)
At 31 December 2020	104,355	(32,477)	—	71,878
Loss and total comprehensive expense for the year	—	(3,045)	—	(3,045)
Equity-settled share-based transaction	—	—	480	480
At 31 December 2021	104,355	(35,522)	480	69,313

37. EVENTS AFTER THE REPORTING PERIOD

On 11 November 2021, SimpliFi, an indirect wholly-owned subsidiary of the Company, and DeFiner Limited (“DeFiner”), an independent third party, entered into a subscription agreement, pursuant to which SimpliFi conditionally agreed to allot and issue to DeFiner an aggregate of 20,176,471 new ordinary shares of SimpliFi, representing approximately 49% of the enlarged issued share capital of SimpliFi, at a consideration of HK\$1,442,377 which shall be satisfied by DeFiner in cash.

The deemed disposal of equity interest in SimpliFi has been completed on 26 January 2022.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	104,267	240,426	187,710	151,214	107,267
Cost of sales	(75,461)	(128,558)	(111,897)	(94,199)	(67,267)
Gross profit	28,806	111,868	75,813	57,015	40,000
Other income	6,817	1,901	713	872	56
Other gains and losses	(975)	(4,642)	684	44	—
Other expenses	—	(466)	—	—	—
Impairment losses under expected credit loss model, net of reversal	(2,592)	(195)	(73)	(97)	(41)
Selling and marketing expenses	—	—	—	(143)	(1,661)
Administrative expenses	(19,741)	(20,755)	(5,972)	(4,147)	(2,706)
Interest on lease liabilities	(11)	(8)	(6)	—	—
Research and development expenses	(14,860)	(21,074)	(9,681)	(4,292)	(4,169)
Listing expenses	—	(9,680)	(11,145)	(4,810)	—
(Loss)/profit before tax	(2,556)	56,929	50,333	44,442	31,474
Income tax (expense) credit	(394)	(644)	167	(5,051)	(20)
(Loss)/profit for the year	(2,950)	56,285	50,500	39,391	31,454
	As at 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Assets, Liabilities and Equity					
TOTAL ASSETS	299,897	315,068	150,059	114,304	61,619
TOTAL LIABILITIES	12,535	25,236	21,073	35,818	22,593
TOTAL EQUITY	287,362	289,832	128,986	78,486	39,026

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Sino-Entertainment Technology Holdings Limited
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“EIT”	enterprise income tax in the PRC
“Global Offering”	the initial public offering of the Shares pursuant to the terms of the Prospectus
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date
“Listing Date”	15 July 2020, on which dealing in the Shares first commenced on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China, which, for the purpose of this report, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Operating Entities”	the entities the Company controls through the Contractual Arrangements, being Dinglian Technology, Beihai Dinglian, Khorgos Dinglian Interactive, Khorgos Dinglian Network and Luo Cheng Dinglian New Entertainment
“Prospectus”	the prospectus of the Company dated 30 June 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Registered Shareholder(s)”	direct shareholder(s) of Dinglian Technology, being Mr. Sui, Mr. Li, Mr. Huang Xin, Mr. Liang Yuezhong, Ms. Shen Shiyin, Mr. Wu Lihui, Mr. Liang Hanjun, Mr. Liang Hong, Mr. Ou Yajie, Mr. Gao Changhai and Mr. Ke Zhenhua

Glossary

“Reorganisation”	the reorganisation of the Group in relation to the Listing, details of which are set out in note 2 in the Notes to the Consolidated Financial Statements
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Year”	year ended 31 December 2021
“%”	per cent.

* *In this annual report, the English translation which are marked with “*” is for identification purpose only*