



火岩控股
FIRE ROCK HOLDINGS

火岩控股有限公司

FIRE ROCK HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1909

2020
ANNUAL
REPORT



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DEFINITION

“Annual General Meeting”	the annual general meeting (and any adjournment thereof) of the Company to be held on Wednesday, 12 May 2021
“ARPPU”	average revenue per paying user, calculated by dividing the monthly average royalties from the net sale of credits for the in-game tokens during a certain period by the average MPU during the same period
“Articles of Associations”	the articles of association of the Company conditionally adopted on 24 January 2016 and as amended, supplemented and otherwise modified from time to time
“audit committee”	the audit committee under the Board
“Board”	the board of directors of the Company
“browser games”	online games that can be played within a web browser which does not require active installation of client software
“commercial launch” or “commercialisation”	a game is considered commercially launched once (i) the game has been paid for sales of in-game tokens by the designated third party payment channels, and (ii) the open beta testing stage of the game has been concluded
“Company”	Fire Rock Holdings Limited (火岩控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board (Stock code: 1909)
“Director(s)”	the director(s) of the Company
“EUR”	the lawful currency of the Euro Zone
“free-to-play”	a model used in the gaming industry, under which game players can play games for free, but may need to pay for in-game tokens to enhance their gaming experience
“Fire Rock International”	Fire Rock International Limited (火岩國際有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“GEM”	GEM of the Stock Exchange
“Group” or “we”	the Company and where the context otherwise requires, all of its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JPY”	Japanese Yen, the lawful currency of Japan

DEFINITION

“Listing”	the listing of the Shares of the Company on GEM
“listing expenses”	the service fees incurred in relation to the Company’s transfer of listing from GEM to the Main Board
“Main Board”	the Main Board of the Stock Exchange
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“mobile games”	online games that are downloaded to and played on mobile devices including smartphones and tablets
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in appendix 10 of the Main Board Listing Rules
“monthly paying users” or “MPU”	monthly paying users, which is the number of paying players in the relevant calendar month. Average MPU for a particular period is the average of the MPU of each calendar month during that period
“nomination committee”	the nomination committee under the Board
“paying player”	players who obtain in-game tokens with credits of licensed operators
“Placing”	the conditional placing of Shares of the Company in February 2016
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this report, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“premium features”	in-game features and services which enhance the in-game experience of game players, for example, enabling social interaction of their game characters
“Prospectus”	the prospectus being issued on 29 January 2016 in connection with the Placing
“R&D”	research and development
“remuneration committee”	the remuneration committee under the Board
“RMB”	Renminbi, the lawful currency of the PRC
“MMORPG”	role-playing multiplayers game, in which players adopt the roles of one or more in-game characters and are able to interact within the game’s virtual world in accordance with in-game rules and guidelines
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time

DEFINITION

“Share(s)”	ordinary share(s) with a nominal value of one third Hong Kong cent each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Fire Element”	Shenzhen Fire Element Network Technology Company Limited (深圳市火元素網絡技術有限公司), a company incorporated in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USA”	the United States of America
“USD”	United States dollars, the lawful currency of the United States
“Tak Shing International”	Tak Shing International Holdings Limited (德成國際控股有限公司), a company incorporated in the British Virgin Islands
“THB”	Thai Baht, the lawful currency of Thailand
“Transfer of Listing”	the transfer of listing of the Company from GEM to the Main Board on 27 June 2019
“virtual items”	virtual items which enhance players’ gaming experience, by, for example, enhancing the powers, abilities or attractiveness
“%”	per cent

In this report, the terms “associate”, “close associate”, “connected”, “connected person”, “core connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings ascribed thereto under the Main Board Listing Rules, unless the context otherwise requires.

COMPANY PROFILE

EXECUTIVE DIRECTORS

Mr. SU Yi (Chief Executive Officer) (appointed as an executive Director on 14 October 2020, and appointed as a Chief Executive Officer on 11 February 2021)
Mr. ZHOU Kun (appointed on 10 August 2020)
Mr. CHEN Di (re-designated from an independent non-executive Director to an executive Director on 19 March 2021)
Mr. HUANG Yong (re-designated from an executive Director to a non-executive Director, and resigned as Chief Executive Officer on 11 February 2021)
Mr. WU Zhe (resigned on 10 August 2020)
Mr. RAO Zhenwu (resigned on 10 August 2020)

NON-EXECUTIVE DIRECTORS

Mr. ZHANG Yan (Chairman)
Mr. HUANG Yong (re-designated from an executive Director to a non-executive Director, and resigned as Chief Executive Officer on 11 February 2021)
Ms. YANG Kan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN King Fai
Mr. YANG Zhen
Ms. ZHUANG Renyan (appointed on 19 March 2021)
Mr. CHEN Di (re-designated from an independent non-executive Director to an executive Director on 19 March 2021)

AUDIT COMMITTEE

Mr. CHAN King Fai (Chairman)
Mr. YANG Zhen
Ms. ZHUANG Renyan (appointed on 19 March 2021)
Mr. CHEN Di (resigned on 19 March 2021)

REMUNERATION COMMITTEE

Mr. YANG Zhen (Chairman)
(appointed on 19 March 2021)
Mr. SU Yi (appointed on 11 February 2021)
Ms. ZHUANG Renyan (appointed on 19 March 2021)
Mr. HUANG Yong (resigned on 11 February 2021)
Mr. CHAN King Fai
Mr. CHEN Di (Chairman) (resigned on 19 March 2021)

NOMINATION COMMITTEE

Mr. ZHANG Yan (Chairman)
Mr. YANG Zhen
Ms. ZHUANG Renyan (appointed on 19 March 2021)
Mr. CHEN Di (resigned on 19 March 2021)

JOINT COMPANY SECRETARIES

Mr. WEI Dong
Mr. CHU Hon Leung

AUTHORISED REPRESENTATIVES

Mr. SU Yi (appointed on 11 February 2021)
Mr. HUANG Yong (resigned on 11 February 2021)
Mr. CHU Hon Leung

REGISTERED OFFICE

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

9th Floor, Block 1
Chongwen Garden
Nanshan IPark
3370 Liuxian Avenue
Nanshan District
Shenzhen, Guangdong
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2201-2203, 22/F
World-Wide House
Central
Hong Kong



COMPANY PROFILE

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
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

China Merchant Bank, Shenzhen Branch
Bank of Communications Co., Ltd., Hong Kong Branch

COMPLIANCE ADVISER

Kingsway Capital Limited

HONG KONG LEGAL ADVISER

Li & Partners

AUDITOR

BDO Limited
Certified Public Accountants

STOCK CODE

1909

COMPANY WEBSITE

www.firerock.hk

FINANCIAL HIGHLIGHTS

RESULTS

	For the year ended 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	520,890	303,978	160,700	80,304	44,977
Direct costs	(40,894)	(19,778)	(16,548)	(11,474)	(7,379)
Gross profit	479,996	284,200	144,152	68,830	37,598
Profit for the year	344,912	208,800	89,808	43,399	22,022

ASSETS AND LIABILITIES

	As at 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Non-current assets	53,437	34,509	11,561	9,787	9,180
Current assets	710,694	394,678	201,710	119,517	94,011
Total assets	764,131	429,187	213,271	129,304	103,191
Non-current liabilities	36,251	26,071	8,966	4,844	336
Current liabilities	39,576	19,027	12,146	7,999	6,646
Total liabilities	75,827	45,098	21,112	12,843	6,982
Total equity	688,304	384,089	192,159	116,461	96,209

MAJOR FINANCIAL RATIOS

	For the year ended 31 December				
	2020	2019	2018	2017	2016
Return on equity	64.3%	72.5%	58.2%	40.8%	33.4%
Return on total assets	57.8%	65.0%	52.4%	37.3%	29.5%
Current ratio (times)	18.0	20.7	16.6	14.9	14.1

REVENUE HIGHLIGHTS

	For the year ended 31 December									
	2020		2019		2018		2017		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Revenue from										
online games	498,337	95.7	300,436	98.8	160,700	100.0	80,304	100.0	44,977	100.0
Self-operated	65,269	12.5	13,083	4.3	–	–	–	–	–	–
Licensed operated	433,068	83.2	287,353	94.5	160,700	100.0	80,304	100.0	44,977	100.0
Intellectual property										
right licensing	22,553	4.3	3,542	1.2	–	–	–	–	–	–
	520,890	100.0	303,978	100.0	160,700	100.0	80,304	100.0	44,977	100.0



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Fire Rock Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2020.

In 2020, we continued to focus on the R&D of games and overseas self-operation to address increasing market competition. We were engaged in intensive efforts in product research, development and innovation, enrichment of game varieties and improvement of the gaming experience of game users, as premium game products were launched in line with our emphasis on attention to details. We launched selected games for self-operation in the overseas markets outside the PRC to enhance the Group's competitive edge. Moreover, we continued to enhance R&D in intellectual properties rights (computer software) and launched new Internet application technologies and products to drive the ongoing growth of our intellectual property business. As a result of our endeavours, our revenue increased by approximately 71.3% over the same period in 2019 to approximately RMB520.9 million, while profit increased by approximately 65.2% over the same period in 2019 to approximately RMB344.9 million.

All in all, we had a number of significant achievements in 2020, some of which are summarised below:

- Our revenue reached approximately RMB520.9 million, representing an increase of approximately 71.3% as compared to 2019;
- Profit amounted to approximately RMB344.9 million, representing an increase of approximately 65.2% as compared to 2019;
- Our operating net cash inflow amounted to approximately RMB435.8 million, representing an increase of approximately 186.9% as compared to 2019;
- Our revenue of mobile games amounted to approximately RMB497.2 million, representing an increase of approximately 67.0% as compared to 2019;
- 9 new game projects under R&D, 3 new game series commercially launched and 2 intellectual properties rights (computer software) licensed to business partners;

As at 31 December 2020, we recorded a cash balance of approximately RMB596.1 million. In view of our stable cash flow, sound assets position and the long-term prospect of the Company, I am pleased to announce that the Board recommended the payment of a final dividend of HKD0.05208 per share (equivalent to approximately RMB0.0438 per share), in the form of a cash dividend, to the shareholders, amounting to HKD50.0 million (equivalent to approximately RMB42.1 million) in aggregate. Reference is made to the announcement of the Company dated 30 March 2021 in relation to, among other things, the proposed subdivision of each of the existing issued and unissued shares of one third Hong Kong cent each in the share capital of the Company into four (4) subdivided shares of par value of one twelfth Hong Kong cent each. If the share subdivision becomes effective prior to the payment of the final dividend, the final dividend will be a cash dividend of HKD0.01302 (equivalent to approximately to RMB0.01095) per subdivided share.

In 2021, we will continue to increase our investment in R&D to optimise our game products, so as to provide premium gaming contents and supreme gaming experience for our game users, thereby unleashing the growth momentum of our principal business to ensure contribution to our business in the long term. Meanwhile, we shall actively explore new business models, with the aim of expanding our business portfolio to enhance the Company's comprehensive competitiveness for future development.



CHAIRMAN'S STATEMENT

The strategic focus and measures of our development include:

- Focusing on the R&D of innovative new games and update of existing games to enhance our core competitiveness;

The Group will focus on the R&D of innovative new games and expand and enrich our diversified game product portfolio, introducing different types of premium game products with different features in ongoing enhancement of our R&D ability; the existing game products will be continuously optimised and updated to enhance players' gaming experience and extend the life cycle of game products, with a view to ensuring stable revenue sources;

- Ongoing active research in new technologies or new concepts that might have a revolutionary impact on the game industry to maintain our edge in the R&D of Internet games and application technologies and products;

The Group will also actively recruit talents in the business and set up more teams to conduct R&D of new games and Internet application products by employing new technologies or new concepts (such as blockchain) in a bid to enrich the game varieties of the Group and help licensed operators to increase their efficiency. The Group is of the view that the expansion of the blockchain game ecology represents a major direction in the future development of the game industry. It will enable the building of digital assets genuinely owned by the players, such that the property rights relating to players' actions in games which carry a value (such as the time committed by players in games) or the tools purchased in games will be recognised, and could be converted into other values through the holding and trading of digital assets. When this model grows into a sophisticated scale, a trade credit rating system for players can be established leveraging blockchain's characteristics of decentralisation and unamendability, and the provision of digital asset management and other related services to the trading parties will hold out significant business value. In the future, the Group will commit more resources to the R&D of blockchain applications in game and related businesses.

- Active pursuit of opportunities for joint venture and acquisition that could generate synergies to enhance our position in the industry;

The Group completed the acquisition of 100% equity interests in Tak Shing International Holdings Limited on 4 February 2021. As such, its financial results, asset and liabilities had yet to be reflected in our consolidated financial statements for 2020. Nevertheless, the Group believes that the acquisition will have significant contributions to the Group's results in the future. The Group will endeavour to integrate and synergise the resources of the acquired business in online marketing expertise, intellectual property rights and existing users. The Group will take advantage of this opportunity to enhance control over the distribution channels and reduce its dependence on licensed game operators, enhancing its comprehensive competitiveness and risk aversion ability by integrating a diverse range of resources in a move to further improve our deployment in the game industry. We can also bolster our cash flow and financial conditions, thereby enhancing our position in the industry. The Group will actively pursue opportunities for joint venture and acquisition that could generate synergies to cope with increasing competition in the industry.



CHAIRMAN'S STATEMENT

- Faster global deployment to strengthen our competitiveness in the international market.

The Group will consider the distribution or operation of new games in different regions on the back of its network of and experience in game distribution in America, Southeast Asia and Japan, in order to enhance the Company's market reputation in overseas markets, promote its games and further consolidating its market coverage. The Group will further expand in the overseas markets with faster global deployment to strengthen our competitiveness in the international market.

Looking to the future, the Board, management and staff of our Group, with a common goal in sight, are fully confident in the development of the Group. We believe that the implementation of the aforementioned development strategies with our persistence, unity and incessant effort will deliver greater value and returns for our Shareholders.

I would like to take this opportunity to express sincere gratitude to the Board, the management and all staff of the Group for their effort and contributions towards the Group's development. I would also like to express sincere appreciation for the continuous support and trust of our Shareholders, business partners and stakeholders. Sincere thanks are also due to the Securities and Futures Commission, the Stock Exchange and other related institutions for their invaluable opinions, guidance and support.

Zhang Yan

Chairman

Hong Kong, 30 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Overview

Our Group is a game developer principally engaged in the development of browser and mobile games. Since last year, the Group has commenced self-operation by introducing its self-developed game products in overseas markets, seeking to transform gradually into a business model of “game developer + game publisher” and enhance our comprehensive profitability. During the Year, the Group continued to focus on the R&D of browser and mobile games to cope with the ever-intensifying competition of the industry. For browser games, we made greater effort in the research of H5 technology by leveraging on our strengths in R&D to develop premium browser game products. As for mobile games, we made greater investments in the continual optimisation and update of existing games as well as the initiation of various mobile game series, which captured the development opportunity arising from the ongoing rapid growth of the mobile game industry and achieved satisfactory results. Meanwhile, we continued to expand our game operation business overseas and launched several self-operated games, generating growing revenue from overseas markets. In addition, the R&D of the intellectual property rights in relation to computer software forms part of the Company’s strategic development. We have developed computer software related to game operations and provided licensing services with respect to intellectual property rights to enterprises, thereby diversifying the revenue of the Group, while forging a closer relationship with our licensed operators.

In terms of financial performance, our revenue increased by 71.3% from approximately RMB304.0 million for 2019 to approximately RMB520.9 million for 2020, of which the revenue of mobile games amounted to approximately RMB497.2 million, representing an increase of approximately 67.0% as compared to the same period in 2019, accounting for 95.5% of our total revenue. Profit increased by 65.2% from approximately RMB208.8 million for 2019 to approximately RMB344.9 million for 2020.

In terms of game products, in 2020, the Group commercially launched three mobile game series in succession, including the Super Bouncy (超級彈彈彈) series, the Jungle Treasure (叢林秘寶) series and the Bull Hunter (獵牛達人) series. The mobile version of the Age of Star Wars (星戰紀) series (operation suspended in July 2019) was also licensed to operators again. We also licensed two computer software, namely, the Fight the Landlord Game AI System (鬥地主遊戲AI系統) and the Good Friend Game Backstage Operation Management System (佳朋鸞遊戲後台運營管理系統) to enterprises such as business partners, which further expanded our product portfolio and diversified our revenue sources.

As at 31 December 2020, the Group has licensed 19 self-developed games series in aggregate, including the mobile and browser versions of Kings & Legends (王者召喚) series, the mobile and browser versions of Hero’s Crown (英雄皇冠) series, the browser version of Heroines of Three Kingdoms (姬戰三國) series, the mobile version of Endless Battles (無盡爭霸) series, the mobile version of Legend of Fairies (萌仙記) series, the mobile version of Road of Vengeance (復仇之路) series, the mobile version of Number Drop series, the mobile version of G-game series, the mobile version of Sweeties Fighting (零食大亂鬥) series, the mobile version of War of the Sulfurons (薩弗隆戰記) series, the mobile version of Super Tycoon (超級大亨) series, the mobile version of Forest Gala (森林大聯歡) series, the mobile version of Fish Catching Contest (捕魚大亂鬥) series, the mobile version of the Super Cute Monster (超級逗萌獸) series, the mobile version of the Super Rich (超級大富翁) series, the mobile version of the Age of Star Wars (星戰紀) series, the mobile version of the Shaky Battle (晃晃大作戰) series, the mobile version of the Super Diglett Fighting (超級地鼠大亂鬥) series and the mobile version of the Super Bouncy (超級彈彈彈) series to various game operators for the operation, publication and distribution of such games within specified periods in designated territories. Four mobile games series, namely the Royal Tycoon (皇家大亨) series, the Royal Fish Catching (皇家捕魚) series, the Jungle Treasure (叢林秘寶) series and the Bull Hunter (獵牛達人) were self-operated by the Group’s overseas subsidiary. In addition, we have developed four computer software, namely the Fire Element Mobile Software General Framework (火元素移動軟件通用框架), Fire Element Integrated Work Station System (火元素集成工作台系統), Fight the Landlord Game AI System (鬥地主遊戲AI系統) and Good Friend Game Backstage Operation Management System (佳朋鸞遊戲後台運營管理系統), and authorised the use of such software to enterprises such as business partners.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2020, due to the declining trend of the browser games industry, the revenue of our browser games amounted to approximately RMB1.1 million or 0.2% of the Group's total revenue, representing a significant drop compared to 2019. In view of the market demand for browser games on mobile devices, we initiated the R&D on H5 games. As H5 games can be operated on multiple platforms with extensive user coverage, the Group considers that there is still potential for further growth and development of the market for browser games. The Group will develop browser games products of higher quality using H5 technology in order to maintain its core competitiveness in the R&D of browser games.

Comparison of Business Objectives with Actual Business Progress

The following is a comparison between the Group's business objectives as set out in the Prospectus and actual business progress as at 31 December 2020:

Business objectives	Actual business progress for the reporting year ended 31 December 2020
Continual optimisation of our existing games on various platforms	Approximately HKD2.9 million invested
Development of new games — Browser games	Approximately HKD7.2 million invested
Development of new games — Mobile games	Approximately HKD7.2 million invested
Acquiring of/investment in game developers and related companies	Approximately HKD3.6 million invested
Enhancement and diversification of our game development capabilities	Approximately HKD2.5 million invested
Working capital and other general corporate purposes	Approximately HKD1.5 million invested
Seeking opportunities to obtain/acquire the adaptation rights of appropriate source materials	Approximately HKD2.5 million invested

Industry Review

In 2020, although the global game industry remained highly competitive, the entire industry still achieved steady growth compared to the same period last year, with the exceptionally outstanding performance of the PRC market. According to the "2020 Report on the Game Industry of China" (《二零二零年中國遊戲產業報告》) published by Gamma Data (伽馬數據), the total revenue for the game industry in China amounted to approximately RMB278.687 billion in 2020, representing an increase of 20.71% over the corresponding period last year, of which the revenue of mobile games reached RMB209.676 billion. The actual sales revenue for China's self-developed online games in overseas market amounted to approximately USD15.45 billion, representing year-on-year growth of 33.25%, with prominent performance in the mobile games market. Hence, the overseas mobile games market will become the main arena for competition in the future.

In 2020, the revenue of mobile games in China accounted for 75.24% of the total revenue in the Chinese gaming industry, representing an increase of 32.61% over the corresponding period last year, while the revenue of browser games amounted to only 2.73% of the total revenue, representing a decrease of 22.90% over the corresponding period last year. The development of the industry was in line with the development strategies identified and established by the Group. During the year, the Group adopted a development strategy that committed substantial resources in the R&D of mobile games, while for browser games we were primarily engaged in ongoing optimisation and improvements in quality and users' experience in respect of existing products. We initiated the R&D on H5 games in view of the market demand for browser games on mobile devices, which enabled us to maintain steady growth amid the increasingly competitive game market.

OUR PRODUCTS

In 2020, we upheld our R&D competence and advantage and effectively capitalised on opportunities associated with the rapid growth of mobile games around the world. Investment in the R&D of games was enhanced, as we developed seven premium mobile games and two browser games with innovative plays, while consistently introducing improvements and updates to existing games. On the back of our powerful technologies in stock and capabilities in R&D innovation, we expanded our portfolio of games with the commercial launch of three mobile game series during the year. In the meantime, we have also developed two computer software products in a further diversification of our revenue sources.

As at 31 December 2020, the Group has commercially launched 23 major games series in aggregate, including the mobile and browser versions of the Kings & Legends (王者召喚) series, the mobile and browser versions of the Hero's Crown (英雄皇冠) series, the browser version of the Heroines of Three Kingdoms (姬戰三國) series, the mobile version of the Endless Battles (無盡爭霸) series, the mobile version of the Legend of Fairies (萌仙記) series, the mobile version of the Road of Vengeance (復仇之路) series, the mobile version of the Number Drop series, the mobile version of the G-game series, the mobile version of the Sweeties Fighting (零食大亂鬥) series, the mobile version of War of the Sulfurons (薩弗隆戰記) series, the mobile version of the Super Tycoon (超級大亨) series, the mobile version of the Forest Gala (森林大聯歡) series, the mobile version of the Fish Catching Contest (捕魚大亂鬥) series, the mobile version of the Super Cute Monster (超級逗萌獸) series, the mobile version of the Super Rich (超級大富翁) series, the mobile version of the Age of Star Wars (星戰紀) series, the mobile version of the Shaky Battle (晃晃大作戰) series, the mobile version of the Super Diglett Fighting (超級地鼠大亂鬥) series, the mobile version of the Royal Tycoon (皇家大亨) series, the mobile version of the Royal Fish Catching (皇家捕魚) series, the mobile version of the Super Bouncy (超級彈彈彈) series, the mobile version of the Jungle Treasure (叢林秘寶) series and the mobile version of the Bull Hunter (獵牛達人) series. In addition, we have developed four computer software, namely the Fire Element Mobile Software General Framework (火元素移動軟件通用框架), Fire Element Integrated Work Station System (火元素集成工作系統), Fight the Landlord Game AI System (鬥地主遊戲AI系統) and Good Friend Game Backstage Operation Management System (佳朋鸞遊戲後台運營管理系統), and authorised the use of such software to enterprises such as business partners.

Among the aforesaid game series with successful commercial launch, the Kings & Legends (王者召喚) series, a fantasy tactics card game in Japanese style representing our first independently developed game, has been in the market for over 8 years since its commercial launch in March 2012. Its longer-than-average life cycle has been primarily attributable to our incessant effort in upgrading and optimising the game contents to appeal to players, increase their participation and enhance their game experience, which have also resulted in stable income for us. For the year ended 31 December 2020, revenue generated from the Kings & Legends (王者召喚) series accounted for approximately 0.2% of our total revenue for the year. The mobile version of the Sweeties Fighting (零食大亂鬥) series, a cartoon-style tower defense game commercially launched in May 2017, reported revenue of approximately RMB105.0 million for the year ended 31 December 2020, accounting for approximately 20.2% of our total revenue for the year. The mobile version of the Fish Catching Contest (捕魚大亂鬥) series, a fantasy hunting game commercially launched in December 2017, reported revenue of approximately RMB235.8 million for the year ended 31 December 2020, accounting for approximately 45.3% of our total revenue for the year. The success of the aforementioned game series has highlighted our emphasis on meticulous attention to details in product development and our R&D capabilities in delivering premium games, and has also bolstered our confidence in sustaining our operations through ongoing optimisation and upgrades of our premium games. Such success has also reflected the breakthrough and a greater market share in the increasingly competitive market for mobile games thanks to our astute perception of and swift response to market developments, proactive approach to understand current trends and formulate lucid development strategies, and effort to seize opportunities in market developments on the back of our inherent strengths by committing significant resources to the R&D of mobile games.



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In terms of financial performance, the Group's revenue for the year ended 31 December 2020 amounted to approximately RMB520.9 million, increasing by approximately RMB216.9 million compared to approximately RMB304.0 million for the year ended 31 December 2019. Among which, revenue generated from browser games and mobile games amounted to approximately RMB1.1 million and approximately RMB497.2 million, respectively, decreasing by approximately RMB1.5 million and increasing by approximately RMB199.4 million, respectively, as compared to approximately RMB2.6 million and approximately RMB297.8 million, respectively, for the same period of 2019. Revenue generated from mobile games accounted for 95.5% of the Group's revenue. Revenue from the license of intellectual property rights amounted to approximately RMB22.6 million, increasing by approximately RMB19.0 million compared to approximately RMB3.6 million for the same period of 2019. Profit attributable to owners of the Company amounted to approximately RMB343.2 million for the year ended 31 December 2020, increasing by RMB134.4 million from approximately RMB208.8 million for the year ended 31 December 2019.

In terms of game products, the Group commercially launched three mobile game series in succession, including the Super Bouncy (超級彈彈彈) series, the Jungle Treasure (叢林秘寶) series and the Bull Hunter (獵牛達人) series, and re-licensed the mobile version of the Age of Star Wars (星戰紀) series (operation suspended in July 2019) to operators, which further expanded our game portfolio. We also licensed two computer software, namely, the Fight the Landlord Game AI System (鬥地主遊戲AI系統) and the Good Friend Game Backstage Operation Management System (佳朋黨遊戲後台運營管理系統) to business partners. In addition, due to the business realignment of game operators, the licensed operators underwent negotiation with us and discontinued the operation of the mobile versions of the Hero's Crown (英雄皇冠) series, the Super Bouncy (超級彈彈彈) series, the Shaky Battle (晃晃大作戰) series and the Super Tycoon (超級大亨) series from on the platform of licensed operators in January, March, May and July 2020, respectively.

As at 31 December 2020, there were 11 game series in self-operation or under licenses to game operators for operation, launch and distribution (namely, in operation) within an agreed period in designated territories.

For the year ended 31 December 2020, revenue generated by our five leading game series in monetary amounts and as a percentage of total revenue are set out as follows: the mobile version of the Fish Catching Contest (捕魚大亂鬥) series commercially launched in December 2017 reported revenue of approximately RMB235.8 million for the year ended 31 December 2020, accounting for approximately 45.3% of our total revenue; the mobile version of the Sweeties Fighting (零食大亂鬥) series commercially launched in May 2017 reported revenue of approximately RMB105.0 million for the year ended 31 December 2020, accounting for approximately 20.2% of our total revenue; the mobile version of the Royal Tycoon (皇家大亨) series self-operated through commercial launch in July 2019 reported revenue of approximately RMB61.1 million for the year ended 31 December 2020, accounting for approximately 11.7% of our total revenue; the enhanced and upgraded mobile version of the Age of Star Wars (星戰紀) series commercially launched in March 2020 reported revenue of approximately RMB43.3 million for the year ended 31 December 2020, accounting for approximately 8.3% of our total revenue; and the mobile version of the Super Diglett Fighting (超級地鼠大亂鬥) series commercially launched in July 2019 the reported revenue of approximately RMB38.5 million for the year ended 31 December 2020, accounting for approximately 7.4% of our total revenue.

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The table below sets forth the 11 main series of games which are commercially launched by our licensed operators or self-operated and are still in operation as at 31 December 2020:

Language version	Game title	Platform	Initial commercial launch date
<i>Kings & Legends (王者召喚) series of games</i>			
English	Ancient Summoner/Rise of Mythos (Name changed in June 2014)	Browser	May 2013
	Kings and Legends	Browser	December 2012
German	Kings and Legends	Browser	July 2013
French	Kings and Legends	Browser	December 2013
<i>Sweeties Fighting (零食大亂鬥) series of games</i>			
Simplified Chinese	零食大乱斗	Mobile	May 2017/ June 2019*
<i>Forest Gala (森林大聯歡) series of games</i>			
Simplified Chinese	森林大联欢	Mobile	July 2017
<i>Fish Catching Contest (捕魚大亂鬥) series of games</i>			
Simplified Chinese	捕鱼大乱斗	Mobile	December 2017
<i>Super Cute Monster (超級逗萌獸) series of games</i>			
Simplified Chinese	超级逗萌兽	Mobile	December 2017
<i>Super Diglett Fighting (超級地鼠大亂鬥) series of games</i>			
Simplified Chinese	超级地鼠大乱斗	Mobile	July 2019
<i>Royal Tycoon (皇家大亨) series of games</i>			
Thai	รอยัล คาสีโน	Mobile	July 2019
<i>Royal Fish Catching (皇家捕魚) series of games</i>			
Thai	เกมยิงปลาธรรมชาติ	Mobile	July 2019
<i>Jungle Treasure (叢林秘寶) series of games</i>			
Thai	ล่าสมบัติแห่งพงไพร	Mobile	May 2020
<i>Age of Star Wars (星戰紀) series of games</i>			
Simplified Chinese	星战纪	Mobile	June 2018/ March 2020*
<i>Bull Hunter (獵牛達人) series of games</i>			
Thai	นักล่ากระทิง	Mobile	December 2020

* It represents date of launch of enhanced and upgraded version of game series.

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As at 31 December 2020, we also had nine game series under R&D, including the Fighting Cells (戰鬥細胞) series (tentative name), the Witty Pinball (智力彈球) series (tentative name), the Demon Conqueror of the East Sea (東海降魔) series (tentative name), the Fish Catching Contest — Treasure of the Dragons (捕魚大亂鬥之龍族秘寶) series (tentative name), the Feng Ling Dominion — Overlord of the Martial Arts World (風凌天下之武林盟主) series (tentative name), XY3 series (tentative name), TD series (tentative name), South American Chamber (南美大廳) series (tentative name) and Indonesian Chamber (印尼大廳) series (tentative name).

Game/software title	Genre	Expected/(actual) launch date	Start of game inception and evaluation
Fighting Cells (戰鬥細胞) series (tentative name)	H5	Second quarter of 2021	Second quarter of 2019
Witty Pinball (智力彈球) series (tentative name)	H5	Third quarter of 2021	Third quarter of 2019
Demon Conquer of the East Sea (東海降魔) series (tentative name)	Single-player leisure	Third quarter of 2021	First quarter of 2020
Fish Catching Contest — Treasure of the Dragons (捕魚大亂鬥之龍族秘寶) series (tentative name)	Single-player leisure	Second quarter of 2021	Second quarter of 2020
Feng Ling Dominion — Overlord of the Martial Arts World (風凌天下之武林盟主) series (tentative name)	MMORPG	Second quarter of 2021	Third quarter of 2020
XY3 series (tentative name)	Card game	Fourth quarter of 2021	Fourth quarter of 2020
TD series (tentative name)	Single-player leisure	Third quarter of 2021	Fourth quarter of 2020
South American Chamber (南美大廳) series (tentative name)	Leisure	Second quarter of 2021	Fourth quarter of 2020
Indonesian Chamber (印尼大廳) series (tentative name)	Leisure	Second quarter of 2021	Fourth quarter of 2020

Prospects for 2021

For our primary business, the Group will continue to enhance its strengths in R&D so as to develop premium mobile games with higher quality, longer life-cycle and innovative game types. We will upgrade and optimise existing games, and consistently invest substantial resources in the R&D of mobile games. Moreover, the Group also intends to increase its R&D efforts in the future with thorough exploration of users' game preferences and needs, developing unique styles and contents as well as browser games of higher quality using H5 technology or other new technologies in order to maintain its core competitiveness in the R&D of browser games. In addition, the Group will conduct active research in innovative technologies or new concepts that might have a revolutionary impact on the industry (such as blockchain technology), and will commit resources accordingly to commence R&D in blockchain technology to develop blockchain games with unique plays, while stocking up relevant technologies and talents to develop blockchain applications in the industry ecology, with a view to bolstering the Group's strengths in R&D.

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On top of our presence in the Chinese game market, we will actively expand into overseas markets and promote our games to new potential areas and regions, in an ongoing effort to cement our position in major global markets and take our competitiveness to a higher level.

In the future, we will continue to enhance our R&D of intellectual property rights (computer software) to launch novel internet application technologies and products as well as provide premium intellectual property rights (computer software) licensing services to our business partners (including licensed operators), with a view to fostering closer connections with our business partners. We believe the utilisation of intellectual property rights will form an integral part of the Group's future development.

As disclosed in the announcement of the Company dated 4 February 2021, the Group completed the acquisition of 100% equity interests in Tak Shing International Holdings Limited ("Tak Shing International") on 4 February 2021. The Group will endeavour to integrate and synergise the resources of the acquired business in online marketing expertise, intellectual property rights and existing users. The Group will take advantage of this opportunity to enhance control over the distribution channels and reduce its dependence on licensed game operators, enhancing its comprehensive competitiveness and risk aversion ability by integrating a diverse range of resources in a move to further improve our deployment in the game industry. We can also bolster our cash flow and financial conditions by integrating the full economic benefits of Tak Shing International, thereby enhancing our position in the industry.

Furthermore, the Company will actively explore opportunities for joint venture and acquisition that could generate synergies, in particular joint venture opportunities that can enhance the stability and diversity of our revenue, so as to cope with the increasing competition in the industry and the possible impacts caused by constantly changing industry policies on the principal business of the Company.

Revenue

We are principally engaged in the development of browser, mobile games (including game design, programming and graphics) and computer software related to game operation, on the basis of which we license our self-developed browser and mobile games to licensed operators around the world and provide intellectual property rights licensing services to enterprises. We also self-operate our self-developed game products in overseas markets.

During the year ended 31 December 2020, our revenue mainly originated from our licensed operators/enterprises/game players and was derived from the following revenue types: (i) license fees in accordance with the contractual terms agreed with our licensed operators for granting the exclusive operating rights for specific games and services within an agreed period and designated territories; (ii) royalties which were calculated based on a pre-determined percentage sharing of the net sales of credits of our licensed operators which have been exchanged into our in-game tokens purchased through platforms designated by our licensed operators in accordance with the terms of the licensing agreements; (iii) intellectual property rights service fees which were charged monthly in accordance with the terms of the agreement; and (iv) revenue which was calculated based on the proportion of values converted upon the purchases of in-game virtual items with the values of the game credits (purchased by game players through payment channels) consumed during gameplay.

Our revenue increased by approximately 71.3% from approximately RMB304.0 million for the year ended 31 December 2019 to approximately RMB520.9 million for the year ended 31 December 2020. The increase in revenue was mainly due to the increase in revenue from mobile game series successively launched during previous period, including the Sweeties Fighting (零食大亂鬥) series, the Fish Catching Contest (捕魚大亂鬥) series, the Royal Tycoon (皇家大亨) series, the Age of Star Wars (星戰紀) series and the Super Diglett Fighting (超級地鼠大亂鬥) series and so on.

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The following table sets out a breakdown of our revenue for the years ended 31 December 2020 and 2019:

	For the year ended 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Revenue from online games*	498,337	95.7	300,436	98.8
Self-operated	65,269	12.5	13,083	4.3
Licensed operated	433,068	83.2	287,353	94.5
Intellectual property rights licensing	22,553	4.3	3,542	1.2
	520,890	100.0	303,978	100.0

Note:

* Details of the online game revenue are set forth in sections headed "Online Game Revenue by game platforms and revenue types", "Online Game Revenue by Game Product Series" and "Online game License fees and royalties by game product series".

Revenue by geographical markets

The following table sets forth our revenue from our games based on territories, as determined by the primary geographical market of the licensed operators, in absolute amounts and as a percentage of our revenue for the years indicated:

	For the year ended 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
The PRC (place of domicile)	454,694	87.3	289,846	95.4
Asia Pacific	65,422	12.6	13,490	4.4
Europe	774	0.1	620	0.2
North America	—	—	22	(Note)
Total	520,890	100.0	303,978	100.0

Note: The figure for this item is not shown due to rounding difference.

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Online Game Revenue by game platforms and revenue types

The table below sets forth the breakdown of revenue by game platforms and revenue types for each of the years ended 31 December 2020 and 2019:

	For the year ended 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Browser version	1,097	0.2	2,644	0.9
Royalties	1,097	0.2	2,644	0.9
Mobile version	497,240	99.8	297,792	99.1
License fees	—	—	816	0.3
Royalties	497,240	99.8	296,976	98.8
	498,337	100.0	300,436	100.0

Online Game Revenue by Game Product Series

The table below sets forth the breakdown of revenue by game series for each of the years ended 31 December 2020 and 2019:

	For the year ended 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Kings & Legends (王者召喚)	1,097	0.2	2,080	0.7
Hero's Crown (英雄皇冠)	(Note)	(Note)	571	0.2
Heroines of the Three Kingdoms (姬戰三國)	—	—	9	(Note)
Road of Vengeance (復仇之路)	—	—	1,358	0.5
Number Drop	—	—	275	0.1
G-game	—	—	1,129	0.4
Sweeties Fighting (零食大亂鬥)	105,009	21.1	93,202	31.0
Super Tycoon (超級大亨)	268	0.1	152	0.1
Forest Gala (森林大聯歡)	1,663	0.3	721	0.2
Fish Catching Contest (捕魚大亂鬥)	235,788	47.3	141,354	47.0
Super Cute Monster (超級逗萌獸)	1,424	0.3	1,979	0.7
Super Rich (超級大富翁)	—	—	369	0.1
Age of Star Wars (星戰紀)	43,293	8.7	3,452	1.1
Shaky Battle (晃晃大作戰)	5,896	1.2	19,004	6.3
Super Diglett Fighting (超級地鼠大亂鬥)	38,471	7.7	21,698	7.2
Royal Tycoon (皇家大亨)	61,081	12.3	11,918	4.0
Royal Fish Catching (皇家捕魚)	3,746	0.7	1,165	0.4
Super Bouncy (超級彈彈彈)	158	(Note)	—	—
Jungle Treasure (叢林秘寶)	396	0.1	—	—
Bull Hunter (獵牛達人)	47	(Note)	—	—
	498,337	100.0	300,436	100.0

Note: The figure for this item is not shown due to rounding difference.

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Online game License fees and royalties by game product series

The following table sets forth our license fees and royalties of our games series for each of the years ended 31 December 2020 and 2019.

	For the year ended 31 December	
	2020 RMB'000	2019 RMB'000
Kings & Legends (王者召喚)		
• License fees	—	—
• Royalties	1,097	2,080
Hero's Crown (英雄皇冠)		
• License fees	(Note)	—
• Royalties	(Note)	571
Heroines of the Three Kingdoms (姬戰三國)		
• License fees	—	—
• Royalties	—	9
Road of Vengeance (復仇之路)		
• License fees	—	—
• Royalties	—	1,358
Number Drop		
• License fees	—	57
• Royalties	—	218
G-game		
• License fees	—	58
• Royalties	—	1,071
Sweeties Fighting (零食大亂鬥)		
• License fees	—	83
• Royalties	105,009	93,119
Super Tycoon (超級大亨)		
• License fees	—	123
• Royalties	268	29
Forest Gala (森林大聯歡)		
• License fees	—	76
• Royalties	1,663	645
Fish Catching Contest (捕魚大亂鬥)		
• License fees	—	216
• Royalties	235,788	141,138
Super Cute Monster (超級逗萌獸)		
• License fees	—	—
• Royalties	1,424	1,979
Super Rich (超級大富翁)		
• License fees	—	—
• Royalties	—	369
Age of Star Wars (星戰紀)		
• License fees	—	203
• Royalties	43,293	3,249
Shaky Battle (晃晃大作戰)		
• License fees	—	—
• Royalties	5,896	19,004

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	For the year ended	
	31 December	
	2020	2019
	RMB'000	RMB'000
Super Diglett Fighting (超級地鼠大亂鬥)		
• License fees	—	—
• Royalties	38,471	21,698
Royal Tycoon (皇家大亨)		
• License fees	—	—
• Royalties	61,081	11,918
Royal Fish Catching (皇家捕魚)		
• License fees	—	—
• Royalties	3,746	1,165
Super Bouncy (超級彈彈彈)		
• License fees	—	—
• Royalties	158	—
Jungle Treasure (叢林秘寶)		
• License fees	—	—
• Royalties	396	—
Bull Hunter (獵牛達人)		
• License fees	—	—
• Royalties	47	—
Total	498,337	300,436

Average MPU and ARPPU

The following table sets forth our average MPU and ARPPU of our main series of games for each of the years ended 31 December 2020 and 2019.

	For the year ended	
	31 December	
	2020	2019
Kings & Legends (王者召喚)		
• Average MPU	740	1,394
• ARPPU (RMB) ³	96	122
Road of Vengeance (復仇之路)		
• Average MPU	—	2,040
• ARPPU (RMB) ³	—	74
Number Drop		
• Average MPU	—	1,025
• ARPPU (RMB) ³	—	24
G-game		
• Average MPU	—	3,949
• ARPPU (RMB) ³	—	30
Sweeties Fighting (零食大亂鬥)		
• Average MPU	31,761	40,779
• ARPPU (RMB) ³	252	172

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	For the year ended 31 December	
	2020	2019
Fish Catching Contest (捕魚大亂鬥)		
• Average MPU	81,596	71,791
• ARPPU (RMB) ³	241	164
Age of Star Wars (星戰紀)		
• Average MPU	22,889	8,822
• ARPPU (RMB) ³	187	52
Shaky Battle (晃晃大作戰)		
• Average MPU	7,222	3,221
• ARPPU (RMB) ³	164	487
Super Diglett Fighting (超級地鼠大亂鬥)		
• Average MPU	16,124	17,145
• ARPPU (RMB) ³	197	211
Royal Tycoon (皇家大亨)		
• Average MPU	97,336	42,659
• ARPPU (RMB) ³	53	36
Royal Fish Catching (皇家捕魚)		
• Average MPU	17,967	9,223
• ARPPU (RMB) ³	18	15
Super Bouncy (超級彈彈彈)		
• Average MPU	254	—
• ARPPU (RMB) ³	190	—
Jungle Treasure (叢林秘寶)¹		
• Average MPU	2,700	—
• ARPPU (RMB) ³	24	—
Bull Hunter (獵牛達人)²		
• Average MPU	3,131	—
• ARPPU (RMB) ³	15	—

Notes:

1. The mobile version of Jungle Treasure (叢林秘寶) series has been in operation separately conducted by an offshore subsidiary of the Group since May 2020.
2. The mobile version of Bull Hunter (獵牛達人) series has been in operation separately conducted by an offshore subsidiary of the Group since December 2020.
3. ARPPU is calculated by dividing the average monthly royalties from the net sale of credits of licensed operators for the in-game tokens during a certain period by the average MPU during the same period. As all of our games adopt the free-to-play model, the ARPPU of games should not be affected by the frequency of game players spending time on the games if they do not purchase credits from our licensed operators to exchange for in-game tokens which can be used for acquiring virtual items and premium features.

MANAGEMENT DISCUSSION AND ANALYSIS

Direct costs

The Group's direct costs mainly consisted of staff costs and benefits, amortisation of intangible assets, channel costs charged by self-operated game platforms and others. The following table sets forth a breakdown of the Group's direct costs for the years indicated:

	For the year ended 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Staff costs and benefits	8,972	21.9	9,149	46.3
Amortisation of intangible assets	6,703	16.4	4,879	24.7
Self-operated channel costs	13,062	32.0	3,571	18.0
Others	12,157	29.7	2,179	11.0
Total	40,894	100.0	19,778	100.0

Staff costs and benefits represented salary and wages of staff who are responsible for making continuous enhancements to and maintenance of our commercially launched games. Staff costs and benefits for the year ended 31 December 2020 amounted to approximately RMB9.0 million, which remained relatively stable as compared to approximately RMB9.1 million for the year ended 31 December 2019.

Amortisation of intangible assets represented the amortisation of intellectual properties for the commercially launched software and games. Amortisation of intangible assets for the year ended 31 December 2020 amounted to approximately RMB6.7 million, representing an increase of approximately RMB1.8 million as compared to approximately RMB4.9 million for the year ended 31 December 2019. The increase was mainly attributable to the one-off amortisation of the consolidated costs for Super Bouncy (超級彈彈彈), a new game commercially launched in January this year which was subsequently removed by the game operator with our agreement following the game operator's business adjustments.

Self-operated channel costs represented certain proportion of handling fees charged by cooperation platforms with respect to the four mobile game series launched, namely Royal Fish Catching (皇家捕魚), Royal Tycoon (皇家大亨), Jungle Treasure (叢林秘寶) and Bull Hunter (獵牛達人). Self-operated channel costs for the year ended 31 December 2020 amounted to approximately RMB13.1 million.

Others mainly comprised (i) other tax and surcharges; (ii) outsourcing services fee for art/graphic design and audio production of sound effects and background music provided by third party service providers; and (iii) fees for game testing conducted by third-party service providers. In general, the increase in other tax and surcharges for the year ended 31 December 2020 was due to the significant increase in revenue.

Gross profit and gross profit margin

Our gross profit for the year ended 31 December 2020 amounted to approximately RMB480.0 million, representing an increase of approximately RMB195.8 million as compared to approximately RMB284.2 million for the year ended 31 December 2019. Our gross profit margin for the year ended 31 December 2020 amounted to approximately 92.2% and approximately 93.5% for the year ended 31 December 2019. The decrease in our gross profit and gross profit margin was mainly due to the substantial increase in tax expenses and other surcharges and game testing fees for the relevant year.

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Other income

Our other income mainly consisted of interest income on short-term bank deposits and government grants. For the year ended 31 December 2020, our other income was approximately RMB12.2 million, compared with approximately RMB4.9 million in the same period of 2019. Such increase was mainly attributable to the increase of local government grants received by a PRC subsidiary of the Group and interest income from approximately RMB3.5 million in 2019 to approximately RMB8.5 million and other increase during the year.

Research and development costs

Research and development costs primarily comprised (i) salaries for staff engaged in development and upgrade of game software and other computer software products (“software products”); and (ii) fees associated with outsourcing production of non-technical elements (such as art/graphic design and audio production of sound effects and background music) of software products design and development to third party service providers. The Group’s software products development process typically involves several critical stages from software products inception and evaluation, software products development and programming to commercialisation. In the software products inception and evaluation stage, as programming has not yet been commenced and such planning stage could be classified as the research stage in accordance with the applicable accounting standards, costs incurred in software products inception and evaluation stage are expensed and recognised as software products research costs in the consolidated statement of profit or loss and other comprehensive income. In the software products development and programming stage, development and programming work are commenced, including developing the program source code for our software products, graphic design, audio production and character setting. Costs incurred in this stage would be classified as those incurred in the development stage in accordance with the applicable accounting standards and hence recognised as development costs as part of the intangible assets in the consolidated statement of financial position.

The following table sets forth the breakdown of the Group’s research and development costs incurred for the years indicated:

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000

Research costs

As recognised in consolidated statement of profit or loss and other comprehensive income:

Super Bouncy (超級彈彈彈)	—	42
Jungle Treasure (叢林秘寶)	—	69
Fighting Cells (戰鬥細胞)	—	84
Witty Pinball (智力彈球)	—	187
Fire Element Mobile Software General Framework (火元素移動軟件通用框架)	—	46
Fire Element Integrated Work Station System (火元素集成工作台系統)	—	26
Fight the Landlord Game AI System (鬥地主遊戲AI系統)	—	36
Nishui Tiangang Game Card Reader System (逆水天罡遊戲記牌器系統)	—	38
Texas Game AI System (德州遊戲AI系統)	—	31
Good Friend Game Backstage Operation Management System (佳朋響遊戲後台運營管理系統)	—	25
Demon Conqueror of the East Sea (東海降魔)	18	—
Fish Catching Contest — Treasure of the Dragons (捕魚大亂鬥之龍族秘寶)	130	—

MANAGEMENT DISCUSSION AND ANALYSIS

	For the year ended	
	31 December	
	2020	2019
	RMB'000	RMB'000
Bull Hunter (獵牛達人)	18	—
Feng Ling Dominion – Overlord of the Martial Arts World (風凌天下之 武林盟主)	17	—
TD	16	—
South American Chamber (南美大廳)	5	—
Indonesian Chamber (印尼大廳)	6	—
XY3	19	—
Subtotal	229	584

	At 31 December	
	2020	2019
	RMB'000	RMB'000

Development costs		
As recognised in consolidated statement of financial position:		
Royal Tycoon (皇家大亨)	—	886
Royal Fish Catching (皇家捕魚)	—	1,496
Super Diglett Fighting (超級地鼠大亂鬥)	—	1,201
Sweeties Fighting (零食大亂鬥)2》	—	1,585
Super Bouncy (超級彈彈彈)	—	1,921
Jungle Treasure (叢林秘寶)	754	2,425
Fighting Cells (戰鬥細胞)	3,542	1,756
Witty Pinball (智力彈球)	3,491	1,674
Fire Element Mobile Software General Framework (火元素移動軟件通用框架)	—	266
Fire Element Integrated Work Station System (火元素集成工作台系統)	—	215
Fight the Landlord Game AI System (鬥地主遊戲AI系統)	779	728
Nishui Tiangang Game Card Reader System (逆水天罡遊戲記牌器系統)	422	875
Texas Game AI System (德州遊戲AI系統)	575	718
Good Friend Game Backstage Operation Management System (佳朋樂遊戲後台運營管理系統)	1,380	912
Sweeties Fighting – Date with the Vampire (零食大亂鬥—我和僵屍 有個約會)	1,500	—
Demon Conqueror of the East Sea (東海降魔)	1,986	—
Fish Catching Contest – Treasure of the Dragons (捕魚大亂鬥之龍族 秘寶)	8,457	—
Bull Hunter (獵牛達人)	1,726	—
Feng Ling Dominion – Overlord of the Martial Arts World (風凌天下之 武林盟主)	1,491	—
TD	480	—
South American Chamber (南美大廳)	1,305	—
Indonesian Chamber (印尼大廳)	1,092	—
XY3	774	—
Subtotal	29,754	16,658
Total research and development costs	29,983	17,242

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For the year ended 31 December 2020, the Group's overall research and development costs increased by approximately RMB12.8 million as compared to RMB17.2 million for the year ended 31 December 2019. The increase was mainly attributable to the decrease of approximately RMB0.4 million in research costs, as compared to the year ended 31 December 2019 and the increase of approximately RMB13.1 million in development costs as compared to the year ended 31 December 2019. Research costs decreased by RMB0.4 million as more software projects are added but with a relatively smaller scale and lower complexity. Furthermore, development costs increased as the development stages of mobile game series such as the Bull Hunter (獵牛達人), Fighting Cells (戰鬥細胞), Witty Pinball (智力彈球), Demon Conqueror of the East Sea (東海降魔) and Fish Catching Contest – Treasure of the Dragons (捕魚大亂鬥之龍族秘寶) for the year ended 31 December 2020 were of relatively larger scale and higher complexity, more manpower and resources were deployed for the new series of games, while the salaries and benefits for R&D personnel were also increased by a considerable margin. As at 31 December 2020, the Group had 140 research and development staff (2019: 102).

Distribution costs

Our distribution costs for the year ended 31 December 2020 amounted to approximately RMB33.7 million, representing an increase of approximately RMB26.5 million as compared to approximately RMB7.2 million in the same period of 2019. The increase was mainly due to the increase in the salaries and benefits of promotional personnel and the increase in promotional costs of overseas self-operated games.

Administrative expenses

The Group's administrative expenses primarily comprised salaries and employee benefits expenses, depreciation of right-of-use assets, audit fees, legal and professional fees, listing expenses, depreciation of property, plant and equipment and others. The following table sets forth a breakdown of the Group's administrative expenses for the years indicated:

	For the year ended 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Salaries and employee benefits	8,287	21.3	9,631	35.3
Depreciation of right-of-use assets	2,312	6.0	2,593	9.5
Audit, legal and professional fees	6,772	17.4	2,030	7.4
Depreciation of property, plant and equipment	2,250	5.8	848	3.1
Exchange difference	7,265	18.7	541	2.0
Write-off of intangible assets	2,589	6.7	—	—
Listing expenses	—	—	5,398	19.8
Others	9,354	24.1	6,244	22.9
Total	38,829	100.0	27,285	100.0

The Group's administrative expenses for the year ended 31 December 2020 amounted to approximately RMB38.8 million, representing an increase of approximately 42.1% as compared to approximately RMB27.3 million for the year ended 31 December 2019. Excluding the legal and professional fee incurred in relation to the Company's application for the transfer of its listing from GEM to the Main Board during the year ended 31 December 2019 and the legal and professional fee incurred in connection with the acquisition of Tak Shing International for the year ended 31 December 2020, the Group's administrative expenses for the year ended 31 December 2020 amounted to approximately RMB34.3 million, representing an increase of approximately

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56.6% as compared to approximately RMB21.9 million for the year ended 31 December 2019. The increase in the Group's administrative expenses was mainly attributable to the increase in salaries, employee benefits of our administrative staff, exchange loss, amortisation of software development cost of terminated R&D and others.

Income tax expense

Our income tax expense for the year ended 31 December 2020 amounted to approximately RMB74.1 million (Year ended 31 December 2019: approximately RMB44.7 million). The increase in our income tax expense was mainly attributable to the substantial increase in profit of the PRC subsidiary of the Group for the year as compared to the same period in 2019 as well as the increase in income tax expense withheld under the provisions of the PRC tax law with respect to the distribution of dividends to foreign investors by the PRC subsidiary of the Group.

Profit for the year

Given the aforesaid reasons, profit attributable to owners of the Company increased by approximately 64.4% from approximately RMB208.8 million for 2019 to approximately RMB343.2 million for 2020.

LIQUIDITY AND FINANCIAL RESOURCES

In 2020, we mainly financed our business with cash generated from our operating activities. We intend to fund our expansion and business operations through our internal resources and on-going internal growth.

Treasury policy

During the year ended 31 December 2020, the Group deposited its inactive capital with commercial banks in the PRC and Hong Kong as short-term time deposits to allow inactive capital of the Group to generate certain returns and did not engage in any investments with high risks or involving speculative derivative instruments.

Cash and cash equivalents

As at 31 December 2020, our cash and cash equivalents amounted to approximately RMB596.1 million, compared with approximately RMB147.9 million as of 31 December 2019, which primarily consisted of cash at bank and cash on hand mainly denominated in RMB (as to approximately 60.8%), USD (as to approximately 37.4%), THB (as to approximately 1.0%) and other currencies (as to approximately 0.8%).

Capital expenditures

Our capital expenditures comprised expenditures on the purchase of furniture and office equipment and leasehold improvements. For the year ended 31 December 2020, our total capital expenditures amounted to approximately RMB2.4 million, representing the purchase of furniture and office equipment and leasehold improvement (2019: approximately RMB5.0 million, including the purchase of furniture and office equipment). We funded our capital expenditure by using our cash flow generated from our operations.

Capital Commitment

Shenzhen Fire Element, an indirect wholly-owned subsidiary of the Group (as limited partner), entered into an investment agreement with Shenzhen Qianhai Tongfu Equity Investment Management Co., Ltd. (深圳前海通付股權投資管理有限公司) (as general partner) and Shenzhen Angel FOF Co., Ltd (深圳市天使投資引導基金有限公司) (as limited partner) in November 2020 for the joint venture establishment of Shenzhen Huaying Angel Investment Enterprise (Limited Partnership) (深圳華映天使投資企業(有限合夥)) ("Shenzhen Huaying Fund") with



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fund size of RMB51.0 million. The fund was formed on 18 December 2020. The total amount of the Group's capital commitment for Shenzhen Huaying Fund was RMB30.0 million as at 31 December 2020. In January 2021, the Group has made capital contribution of RMB15.0 million to Shenzhen Huaying Fund for investment in connection with the aforesaid contract.

As at 31 December 2020, the Group has committed to future minimum lease payments in accordance with non-cancellable operating lease agreements for the lease of office buildings amounting to approximately RMB7.9 million (31 December 2019: approximately RMB9.7 million).

Save as disclosed above, as at 31 December 2020, the Group had no other significant commitments.

CAPITAL STRUCTURE

The Shares were listed on GEM of the Stock Exchange on 18 February 2016. Listing of the Shares has been transferred from GEM to the Main Board since 27 June 2019. The capital structure of the Company comprises issued share capital and reserves.

BORROWING AND GEARING RATIO

As at 31 December 2020, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 9.9% (31 December 2019: 10.5%).

CHARGE ON GROUP ASSETS

As at 31 December 2020, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (31 December 2019: Nil).

POST-BALANCE SHEET DATE EVENT

In February 2021, the Group formed Su Ze Lan Te (Shanghai) Cyber Technology Company Limited* (蘇澤蘭特(上海)網路科技有限公司) ("Su Ze Lan Te (Shanghai)"), a non wholly-owned subsidiary, with Mr. Hu Xuanfeng (胡烜峰) ("Mr. Hu") and Mr. Ye Bin (葉斌), a member of Mr. Hu's game development team. The registered capital of Su Ze Lan Te (Shanghai) is RMB10,000,000, owned as to 51% by the Company. Su Ze Lan Te (Shanghai) is principally engaged in the projects relating to blockchain applications in games.

Saved as disclosed above and as set forth in section headed "Significant investments in or material acquisitions or disposal of subsidiaries and associated companies", no significant event requiring disclosure has taken place after 31 December 2020 and up to the date of this report.

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INFORMATION ON EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had 216 employees (31 December 2019: 181), who were mainly based in the PRC and Thailand. The table below sets forth the number of employees by function as at 31 December 2020 and 2019:

Department	2020		2019	
	Number of employees	% of total	Number of employees	% of total
Management	9	4.2	9	5.0%
Project development	140	64.8	102	56.3%
Game design	32	14.8	16	8.8%
Programming	77	35.6	61	33.7%
Art	31	14.4	25	13.8%
Project Support	51	23.6	57	31.5%
Marketing	7	3.2	18	9.9%
Licensing and operator support	32	14.8	30	16.6%
Information technology	12	5.6	9	5.0%
Finance and administration	16	7.4	13	7.2%
Total	216	100.0	181	100.0%

The total remuneration of the employees of the Company was approximately RMB21.7 million for the year ended 31 December 2020 (2019: approximately RMB22.6 million).

The Company has established a remuneration committee with written terms of reference in compliance with the Main Board Listing Rules. The Remuneration Committee will regularly review and recommend to the Board from time to time the remuneration and reward of the Directors and senior management of the Group with reference to their experience, responsibilities, workload and time devoted to the Group and performance of the Group.

The Group offers competitive remuneration package commensurate in line with industry practice and provides benefits to employees of the Group, including social insurance coverage, defined contribution retirement scheme and bonus. In determining staff remuneration, the Group takes into account salaries paid by comparable companies, time commitment and responsibilities and employment conditions for other positions within the Group. The staff remuneration is reviewed regularly.

The Directors believe that maintaining a stable and motivated staff force is critical to the success of the Group's business. As a fast-growing company, the Group is able to provide its employees with ample career development choices and opportunities of advancement. The Group organises various training programs on a regular basis for its employees to enhance their knowledge of online game development and operation, improve time management and internal communications and strengthen team building.



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SIGNIFICANT INVESTMENTS IN OR MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

As explained above Shenzhen Fire Element, an indirect subsidiary of the Group (as limited partner), formed Shenzhen Huaying Fund in joint venture with Shenzhen Qianhai Tongfu Equity Investment Management Co., Ltd. (深圳前海通付股權投資管理有限公司) (as general partner) and Shenzhen Angel FOF Co., Ltd (深圳市天使投資引導基金有限公司) (as limited partner) in December 2020 to invest principally in strategic new industries supported and encouraged by the Shenzhen municipal government, future industries and other key industries designated by the municipal government for development, such as information technology and data application and the Internet. It had completed the filing for fund establishment with the Asset Management Association of China in accordance with the laws and regulations of the PRC on 1 March 2021.

As disclosed in the announcement of the Company dated 4 February 2021, the acquisition of 100% equity interests in Tak Shing International by the Company was completed on 4 February 2021. For details of the acquisition, please refer to (i) the announcements of the Company dated 18 November 2020, 8 December 2020, 23 December 2020 and 8 January 2021 regarding the Acquisition; (ii) the circular of the Company dated 13 January 2021 and (iii) the announcement of the Company dated 2 February 2021 regarding the poll results of the extraordinary general meeting held on 2 February 2021. Following the completion of the acquisition, Tak Shing International becomes a wholly-owned subsidiary of the Company, and the financial results, assets and liabilities of Tak Shing International are incorporated in the consolidated financial statements of the Company.

Save for the investments mentioned above, there was no other significant investment in or material acquisition and disposal of subsidiaries and associated companies by the Company.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant unrecorded contingent liabilities (31 December 2019: Nil).

FOREIGN EXCHANGE RISKS

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD, EUR, JPY, HKD and SGD. 87.3% (2019: approximately 95.4%) of the transactions of the Group are denominated and settled in its functional currency, RMB and approximately 12.7% of the revenue are denominated in currencies other than RMB for the year ended 31 December 2020 (2019: approximately 4.6%). Therefore, foreign exchange risk primarily arose from the recognition of assets upon the Group's receipt or planned receipt of foreign currencies from overseas partners.

The Group currently does not have any hedging policy in respect of the foreign currency risk. However, our management team closely monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. In this respect, we are not exposed to any significant foreign currency exchange risk in our operation.

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USE OF PROCEEDS FROM THE PLACING

The Company's shares were listed on GEM of the Stock Exchange on 18 February 2016 and net proceeds from the Placing were approximately HKD28.9 million. Listing of the Shares has been transferred to the Main Board from GEM on 27 June 2019. As at 31 December 2020, the Group has spent approximately HKD27.4 million, in aggregate, of the proceeds from the Placing (approximately HKD7.2 million on development of new games on mobile devices platform, approximately HKD7.2 million on development of new browser games, approximately HKD2.9 million on the continual optimisation of our existing games on various platforms, approximately HKD2.5 million on enhancing our game development capabilities, approximately HKD3.6 million on the acquisition/investment of game developers and related companies, approximately HKD1.5 million for working capital and other general corporate uses, and approximately HKD2.5 million for seeking opportunities to obtain/acquire the adaptation rights of appropriate source materials).

No additional shares of the Company were issued at the time of the Transfer of Listing.

As at 31 December 2020, the Company's use of proceeds from the Placing is set out as follows:

	Original allocation <i>HKD million</i>	Original allocation <i>Percentage</i>	31 December 2020 Amount used <i>HKD million</i>	31 December 2020 Amount used <i>Percentage</i>	31 December 2020 Amount unused <i>HKD million</i>	31 December 2020 Amount unused <i>Percentage</i>
Continual optimisation of our existing games on various platforms	2.9	10.0%	2.9	10.0%	—	—
Development of new games – Browser games	7.2	25.0%	7.2	25.0%	—	—
Development of new games – Mobile games	7.2	25.0%	7.2	25.0%	—	—
Seeking opportunities to obtain/acquire the adaptation rights of appropriate source materials	3.6	12.5%	2.5	8.7%	1.1	3.8%
Acquiring of/investment in game developers and related companies	3.6	12.5%	3.6	12.5%	—	—
Enhancement and diversification of our game development capabilities	2.9	10.0%	2.5	8.7%	0.4	1.3%
Working capital and other general corporate purposes	1.5	5.0%	1.5	5.0%	—	—
Total	28.9	100.0%	27.4	94.8%	1.5	5.2%



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SHARE SUBDIVISION

On 28 July 2020, the Board of the Company proposed to subdivide each of the existing issued and unissued shares of HKD0.01 each in the share capital of the Company into three subdivided Shares of par value of one third Hong Kong cent each. The share subdivision plan was approved by Shareholders at the extraordinary general meeting held on 17 August 2020. On 19 August 2020, the share subdivision became effective upon the fulfilment of all conditions precedent. For further details, please refer to the announcements of the Company dated 20 July 2020 and 18 August 2020 and the circular of the Company dated 28 July 2020. Prior to the share subdivision becoming effective, the authorised share capital of the Company was HKD20,000,000 divided into 2,000,000,000 Shares of HKD0.01 each, of which 320,000,000 Shares were issued and fully paid or credited as fully paid. Upon the share subdivision becoming effective, the authorised share capital of the Company has become HKD20,000,000 divided into 6,000,000,000 share subdivision of par value of one third Hong Kong cent each, of which 960,000,000 share subdivision are issued and fully paid or credited as fully paid.

EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to owners of the Company of RMB343,214,304 (2019: RMB208,789,246) and the weighted average number of 960,000,000 ordinary shares (2019: 960,000,000 ordinary shares as adjusted following the share subdivision in 2020) in issue during the year.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the years ended 31 December 2020 and 2019.

RISK FACTORS FACED BY THE COMPANY AND RISK MITIGATION MEASURES

The Group principally engaged in the development and operation of our software and games in different language versions and licensing our games to different licensed operators for operation internationally. The major risks involved in our business include credit risks, interest rate risks, liquidity risks, currency risks and business risks. Details of the above-mentioned major risks and risk mitigation measures are set forth in Note 31 “Financial risk management” to the consolidated financial statements in this annual report.

We believe that there are certain risks involved in our operations, mainly include (i) risks relating to our business; (ii) risks relating to our industry; and (iii) risks relating to policies.

(i) Risks relating to our business

For the years ended 31 December 2020 and 2019, all of the Group’s five largest customers were third-party licensed operators licensed to operate the Group’s self-developed games within designated territories. We rely heavily on our licensed operators from which our revenue is sourced, and any deterioration or interruption of our business relationships with our licensed operators may have a material and adverse impact on our business, results of operations and financial position. Besides, a significant portion of our revenue was generated from a small number of games, as the Fish Catching Contest (捕魚大亂鬥) and Sweeties Fighting (零食大亂鬥) game series contributed approximately 45.3% and 20.2% of our revenue for the year ended 31 December 2020 respectively. Any significant adverse impacts to these games could materially affect our business. In response, we adopted the following measures in 2020 to manage those risks: we capitalised on our strengths in R&D and extended our advantages in game research and development to the development of software, providing enterprises with computer software and intellectual property right licensing services. We also actively attempted to adopt the self-operation



MANAGEMENT DISCUSSION AND ANALYSIS

model for our games and looked for competent new licensed operators so we could minimise our reliance on major licensed operators; we continued to provide new premium licensed game products for licensed operators and upgraded our existing game products to attract and retain our players and enhance players' gaming experience and level of spending. We consolidated our relationship with business partners to attain mutually beneficial cooperation.

(ii) Risks relating to our industry

As a game developer, we expect to face intense competition from many counterparts domestically and internationally. We also face vigorous competition from other forms of entertainment generally available to the public such as console gaming, offline games, cinema, television, sports and music. In response, we continue to regularly upgrade and modify existing games to keep players interested and maintain their experience in our portfolio of games, and incentivise game players to increase their spending on our games. Furthermore, we also continue to focus on research and development of new games and explore new markets to maintain our competitiveness in the gaming industry.

(iii) Risks relating to policies

The operation of online games of the Group is subject to supervision and management by a number of government authorities in the PRC. As the revenue of the Group is mainly derived within the PRC, any changes in policies by governmental regulatory bodies, such as the State Administration of Radio, Film, and Television and the Ministry of Culture and Tourism could also affect the market, which could in turn impact our results of operations.

The Group launched the overseas self-operation of two games, namely, Jungle Treasure (叢林秘寶) and the Bull Hunter (獵牛達人), in 2020. These measures reduce the risks relating to the competitive game market in the PRC and risks relating to the adjustments in policies regarding the issuance of game permits; expand and broaden the sales of the Company's games to overseas markets, and in turn increase and widen the Group's revenue sources.

RISK MANAGEMENT

The audit committee of the Company is responsible for risk management. The audit committee regularly reviews the Company's risk management and internal control system to ensure the system's effectiveness. The audit committee also reviews the sufficiency of the Company's internal resources and staff qualifications, experience and training. The audit committee conducts investigation and research of risk management and internal control matters and reports to the Board on such matters.

ENVIRONMENT POLICY AND PERFORMANCE

The Group's planning, devising, implementation, operation, review and assessment in relation to matters pertaining to environmental management are conducted with reference to the characteristics of our industry. In daily activities, our Group strictly controls the use of water and electricity in office, actively adopts measures to propagate environment-friendly ideas and encourages staff to reduce consumption of water and electricity and practice the sorting of solid waste. The Group also actively promotes electronic informatisation management in its daily operation to facilitate the "paperless" office.

The Group has implemented internal recycling and reusing program on a continual basis for consumable goods such as office papers to minimise the operational impact on the environment and natural resources. The Group has also negotiated with the property management companies of our leased properties in relation to the implementation of energy-saving measures for the use of air-conditioning in our office premises in order to reduce unnecessary electricity consumption.



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COMPLIANCE WITH LAWS AND REGULATIONS

The Company appreciates the importance of compliance with relevant laws and regulations. The Company has committed human resources to ensure consistent compliance with provisions and codes and build good relationship with supervising authorities through effective communication. From the date of Listing to 31 December 2020, to the knowledge of Directors, the Company is in compliance with the SFO, the Main Board Listing Rules and other relevant codes and regulations. During the year under review, to the best of our knowledge, the Group has complied with the SFO, the Main Board Listing Rules, The Code on Takeover and Mergers and Share Buy-backs, as well as the rules formulated by the cultural administration authorities of the PRC government, including the Administrative Measures for Internet Information Services (互聯網信息服務管理辦法), the Provisional Regulations on the Administration of Internet Culture (互聯網文化管理暫行規定), and other relevant rules and regulations.

RELATIONSHIP WITH EMPLOYEES, LICENCED OPERATORS AND SUPPLIERS

The relationships between the Group and its employees, licensed operators and suppliers have material impact on our business and sustainable development. Therefore, the Group is dedicated to building a good relationship with employees, licensed operators and suppliers.

The Group regards its employees as the most important and valuable assets. The objectives of human resources management are to motivate outstanding staff with competitive remuneration packages and comprehensive performance assessment and to assist the staff to develop their career and get promotion in the Group by providing suitable training and opportunities. In addition, the management is considering other measures to retain staff and keep staff turnover stable. The Company has also conditionally adopted the share option scheme to recognise and reward eligible participants (including employees) for the contributions they have made or could make to the Group. The details of the share option scheme is set out in the section headed "Director's Report". Details about employees, remuneration policies and retirement benefits are set out in Note 4(k) to the consolidated financial statements.

The customers of the Group are mainly our licensed operators. We strive to maintain stable business relationships with the existing licensed operators. Meanwhile, we also actively take measures to reduce the reliance on the major licensed operators by seeking new licensed operators (subject to our current licensing arrangements) for new games in new markets. In addition, we began to provide computer software service relating to game operation for our major licensed operators during the year and provided enterprises with licenses for intellectual property rights, so as to foster closer relationships with them.

The main suppliers of the Group included the companies providing outsourcing services such as graphic designs, sound effects, background music, subsequent updates and optimisations during the game developing and programming stages, server data centres and broadband service providers. We strive to maintain a stable business relationship with the current suppliers to ensure the stability of the services provided for the benefit of our long-term game development and operation.

FINAL DIVIDENDS

Dividend Policy

The proposal of payment and the amount of our dividends will be made at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, Shareholders' equity, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant.

In addition, as our Company is a holding company registered in the Cayman Islands and our operations are conducted through our subsidiaries, one of which is incorporated in the PRC, the availability of funds for dividend payments to Shareholders and debts servicing depends on dividends received from these subsidiaries.

Dividends

On 17 April 2020, the Company declared a final dividend for 2019 amounting to HKD30.0 million (approximately RMB26.4 million) in aggregate or HKD0.09375 (equivalent to approximately RMB0.0825) per share in the form of cash to the Shareholders whose names appear on the register of members of the Company as at 11 August 2020.

Saved as disclosed above, no dividends were declared or paid during the year ended 31 December 2020. During the board meeting held on 30 March 2021, the Board recommended the payment of a final dividend of HKD0.05208 per share (equivalent to approximately RMB0.0438 per share) in the form of cash to the Shareholders. Reference is made to the announcement of the Company dated 30 March 2021 in relation to, among other things, the proposed subdivision of each of the existing issued and unissued shares of one third Hong Kong cent each in the share capital of the Company into four (4) subdivided shares of par value of one twelfth Hong Kong cent each. If the share subdivision becomes effective prior to the payment of the final dividend, the final dividend will be a cash dividend of HKD0.01302 (equivalent to approximately RMB0.01095) per subdivided share. The proposed final dividend for 2020 is subject to the Shareholders' approval at the Annual General Meeting ("AGM") to be convened. The Company will make further announcement(s) in respect of the book closure date for the purpose for determining shareholders' entitlement to the final dividend, record date and final dividend payment date.

CLOSURE OF REGISTER OF MEMBERS FOR THE ANNUAL GENERAL MEETING

For the purpose of determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 7 May 2021 to Wednesday, 12 May 2021, during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Wednesday, 12 May 2021 will be entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 6 May 2021.



CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Group for the year ended 31 December 2020.

INTRODUCTION

We are committed to maintain high level of corporate governance as the Board recognises that sound and effective corporate governance is the key element to success. We have adopted a number of measures to protect interests of the Shareholders and other stakeholders.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “Code”) set out in Appendix 14 of the Main Board Listing Rules. The Directors believe, for the year ended 31 December 2020, the Company has complied with all the code provisions set out in the respective codes.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Among other things, the Company periodically issues notices to its Directors reminding them the general prohibition on dealing in the Company’s listed securities during the blackout periods before the publication of announcements of financial results of the Group. Having made specific enquiry of all Directors, the Company confirms that the Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2020 and up to the date of this report.

BOARD OF DIRECTORS

The Board is responsible for coordinating and supervising the Group and identifying its deviations so as to achieve the success of the Group. The Board has established board committees, and delegated their respective duties in accordance with their terms of references to board committees. Details of the respective committees’ terms of reference are available at the Stock Exchange’s and the Company’s websites. All Directors have carried out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Board reserves discretion to decide on all major matters relating to policy matters, strategies and budgets, internal control and risk management, discloseable transactions and connected transactions, nomination of Directors and company secretary (or joint company secretaries) and other material financial and operational matters. All Directors contributed precious business experience, knowledge and professional skills to keep the Company functioning with high efficiency. All Directors can obtain comprehensive relevant materials and receive from the company secretary (or joint company secretaries) advice and services to ensure the Board procedures and all applicable laws, rules and regulations are followed.

The senior management has been delegated with the responsibility for the day-to-day management, administration and operation of the Group, the authorities delegated to managements are being reviewed regularly. The senior management has to be authorised by the Board before entering into any material transactions.

The Board is subject to the code provisions D.3.1 of the Code concerning corporate governance. The Board has reviewed and discussed the corporate governance policy of the Group, and was satisfied with the performance of the corporate governance policy.

COMPOSITION

For the year ended 31 December 2020, the Board consisted of eight Directors, including three executive Directors, two non-executive Directors and three independent non-executive Directors. The Directors are:

Executive Directors

Mr. HUANG Yong (Chief Executive Officer)
Mr. WU Zhe (resigned on 10 August 2020)
Mr. RAO Zhenwu (resigned on 10 August 2020)
Mr. ZHOU Kun (appointed on 10 August 2020)
Mr. SU Yi (appointed on 14 October 2020)

Non-executive Directors

Mr. ZHANG Yan (Chairman)
Ms. YANG Kan

Independent non-executive Directors

Mr. CHAN King Fai
Mr. CHEN Di
Mr. YANG Zhen

The list of Directors (by category) is disclosed in all corporate communications issued by the Company pursuant to the Main Board Listing Rules from time to time. Independent non-executive Directors are also listed out in all corporate communications issued by the Company pursuant to the Main Board Listing Rules. The Company should maintain on its website and on the Stock Exchange's website an updated list of Directors identifying their role and function and whether they are independent non-executive Directors.

Save as disclosed in the Prospectus and in this annual report, as far as the Company has knowledge, there is no relationship (including financial, business, family, or other material relationship(s)) among the Board members.

For the year ended 31 December 2020, the Board at all times met the requirements of the Main Board Listing Rules relating to the appointment of at least three independent non-executive Directors, accounting for at least one third of the Board, with at least one independent non-executive Director possessing the appropriate professional qualifications, accounting or related financial management expertise.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. According to the guidelines set out in the Rule 3.13 of the Main Board Listing Rules, the Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence. The Company considers that all independent non-executive Directors are independent by reference to the provisions on independence set out in the Main Board Listing Rules.



CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are stated in the Company's Articles of Association. The nomination committee is responsible for reviewing the Board composition, considering and formulating the relevant procedures for nomination and appointment of Directors, and monitoring the appointment and succession planning of Directors, and assessing the independence of the independent non-executive Directors.

Each of the executive Directors has entered into service contract with the Company for a term of three years, which is subject to termination by either party giving not less than three months' written notice. Each of the independent non-executive Directors and non-executive Director has signed a letter of appointment with the Company for a term of three years, and is subject to termination by either party giving not less than three months' written notice. Such appointments are subject to retirement by rotation provisions in the Articles of Association.

The Company had re-elected, appointed and re-designated certain Directors at the Annual General Meeting on 17 April 2020.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. In accordance with the Articles of Association, all Directors of the Company is subject to retirement by rotation at least once every three years, new Directors appointed by the Board as additional Directors and to fill casual vacancies are subject to election or re-election at the first general meeting/annual general meeting.

DIRECTORS' TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT

Each of the Directors should keep abreast of the responsibilities as a Director, and of the conduct, business activities and developments of the Company.

Directors are aware of the code provision A.6.5 of the Code, regarding continuing professional development programme for directors. For the year ended 31 December 2020, all Directors participated in the training regarding director responsibilities and duties by the Company's legal advisers in relation to the Main Board Listing Rules. Such programmes were related to corporate governance, listed company and directors' continuing obligations.

CORPORATE GOVERNANCE REPORT

A summary of the training received by the Directors for the year ended 31 December 2020 is set out below:

Name of Director	Corporate governance	Listed company and directors' continuing obligations
Executive Directors		
Mr. HUANG Yong (Chief Executive Officer)	✓	✓
Mr. Rao Zhenwu ¹	✓	✓
Mr. Wu Zhe ²	✓	✓
Mr. ZHOU Kun ³	✓	✓
Mr. SU Yi ⁴	✓	✓
Non-executive Directors		
Mr. Zhang Yan (Chairman)	✓	✓
Ms. Yang Kan	✓	✓
Independent Non-executive Directors		
Mr. Chan King Fai	✓	✓
Mr. Chen Di	✓	✓
Mr. Yang Zhen	✓	✓

DIRECTORS' LIABILITY INSURANCE

The Company strictly complied with the principle and provisions of the Main Board Listing Rules. As at 31 December 2020, none of the Directors was engaged in material litigations of the Company. Each of our Directors was qualified and experienced to perform their duties and obligations. The Company predicts that in the foreseeable future, the risk of any events that lead to liabilities of the Directors is relatively low. Nevertheless, the Company has purchased appropriate insurance covering for Directors' and senior officers' liabilities.

BOARD MEETINGS AND SHAREHOLDERS' MEETINGS

Number of Board meetings and Directors' attendance

Pursuant to the code provision A.1.1, the Board meetings should be held at least four times a year at approximately quarterly intervals. Regular Board meetings will normally involve the active participation, either in person or through electronic means of communication, of a majority of Directors entitled to be present.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2020, the Board convened six meetings to discuss various matters of the Group, review and approve financial performance and results of operations and to consider and approve overall strategies and policies of the Group. The attendance of each individual Director at the board meeting, board committee meetings and general meeting is set out in the following table:

Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting	Extraordinary General Meeting
Executive Directors						
Mr. Huang Yong	6/6	N/A	1/1	N/A	1/1	1/1
Mr. Wu Zhe ²	3/6	N/A	N/A	N/A	1/1	N/A
Mr. Rao Zhenwu ¹	3/6	N/A	N/A	N/A	1/1	N/A
Mr. Zhou Kun ³	3/6	N/A	N/A	N/A	N/A	1/1
Mr. Su Yi ⁴	2/6	N/A	N/A	N/A	N/A	N/A
Non-executive Directors						
Mr. Zhang Yan	6/6	N/A	N/A	1/1	1/1	1/1
Ms. Yang Kan	6/6	N/A	N/A	N/A	1/1	1/1
Independent Non-executive Directors						
Mr. Chan King Fai	6/6	1/1	1/1	N/A	1/1	1/1
Mr. Yang Zhen	6/6	1/1	N/A	1/1	1/1	1/1
Mr. Chen Di	6/6	1/1	1/1	1/1	1/1	1/1

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

The Annual General Meeting of the Company was held on 17 April 2020 at which external auditor was present to address queries and questions.

1. Mr. Rao Zhenwu resigned as an executive Director of the Company on 10 August 2020.
2. Mr. Wu Zhe resigned as an executive Director of the Company on 10 August 2020.
3. Mr. Zhou Kun appointed as an executive Director of the Company on 10 August 2020.
4. Mr. Su Yi appointed as an executive Director of the Company on 14 October 2020.

PRACTICES AND GUIDELINES OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to the Directors in advance. The Company has arrangement to ensure that the Directors have opportunity to propose matters to be discussed into the meeting agenda.

Notices of regular Board meetings are normally served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

CORPORATE GOVERNANCE REPORT

Board documents together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The chief executive officer and chief financial officer (member of the senior management) attend all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, regulatory compliance matters, corporate governance and other major aspects of the Group.

The company secretary (or the joint company secretaries) is responsible to take and keep minutes of all Board meetings and committee meetings. Minutes of Board meetings and meetings of committees should record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Articles of Associations contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the Code, the role of the chairman has been separate from that of the chief executive officer. During the year ended 31 December 2020, Mr. Zhang Yan was the chairman of the Company and Mr. Huang Yong was the chief executive officer of the Company.

Board Committees

The Board established three committees, namely, remuneration committee, audit committee and nomination committee to oversee particular aspects of the Group's affairs. Each of the three committee has its defined scope of duties and terms of reference.

The majority members of remuneration committee, audit committee and nomination committee are independent non-executive Directors.

The Board committees have sufficient resources to perform their duties, and are able to seek independent professional advice in appropriate circumstances at the Company's expense.

Remuneration Committee

The Group has established the remuneration committee on 24 January 2016 with written terms of reference in compliance with B1.2 of the Code. The remuneration committee's terms of reference include, but not limited to:

- (a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

CORPORATE GOVERNANCE REPORT

- (c) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (d) to make recommendations to the Board on the remuneration of non-executive Directors;
- (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (f) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- (h) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

For the year ended 31 December 2020, the remuneration committee consisted of Mr. Chen Di, Mr. Chan King Fai and Mr. Huang Yong. Mr. Chen Di was the chairman of the remuneration committee. For the year ended 31 December 2020, the remuneration committee convened one meeting to discuss the matters set out above.

REMUNERATION OF THE MEMBERS OF THE SENIOR MANAGEMENT BY BAND

Pursuant to code provision B.1.5 of the Code, details of the annual remuneration of the senior management by band for the year ended 31 December 2020 are as follows:

Remuneration band	Number of individuals
Nil – HKD1,000,000	2
HKD1,000,001 – HKD1,500,000	1

Details of the remuneration of each Director for the year ended 31 December 2020 are set out in Note 14(a) to the consolidated financial statements.

Audit Committee

We established the audit committee with written terms of reference in compliance with the requirements of the Main Board Listing Rules and the Code. The primary responsibilities of the audit committee are to supervise our internal control, financial information disclosure and financial reporting matters, which include but are not limited to:

- i. to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

CORPORATE GOVERNANCE REPORT

- ii. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.
- iii. to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- iv. to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The audit committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- v. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;
- vi. in reviewing the aforementioned paragraph (e) before submission to the Board, the committee should focus particularly on:
 - 1. any changes in accounting policies and practices;
 - 2. major judgmental areas;
 - 3. significant adjustments resulting from audit;
 - 4. the going concern assumptions and any qualifications;
 - 5. compliance with accounting standards;
 - 6. compliance with the Main Board Listing Rules and legal requirements in relation to financial reporting;
- vii. in reviewing the aforementioned paragraph (e) and (f):
 - 1. members of the committee should liaise with the Board and senior management and the committee must meet, at least twice a year, with the Company's auditors; and
 - 2. the committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- viii. to review 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;
- ix. to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal auditing and financial reporting function;



CORPORATE GOVERNANCE REPORT

- x. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- xi. where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- xii. to review the Group's financial and accounting policies and practices;
- xiii. to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- xiv. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- xv. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- xvi. to act as the key representative body for overseeing the Company's relations with the external auditor;
- xvii. to report to the Board on the matters set out above;
- xviii. to consider and implement other matters, as defined or assigned by the Board from time to time;
- xix. to formulate and review the corporate governance policies and practices of the Company and make recommendations to the Board;
- xx. to review and monitor the training and continuous professional development of Directors and senior management;
- xxi. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- xxii. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- xxiii. to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2020, the audit committee consisted of Mr. Chan King Fai, Mr. Yang Zhen and Mr. Chen Di. The chairman of the audit committee was Mr. Chan King Fai, who holds the appropriate professional qualifications as required under Rules 3.10(2) of the Main Board Listing Rules. For the year ended 31 December 2020, the audit committee convened one meetings to discuss the matters set out above.

Nomination Committee

The nomination committee was established on 24 January 2016 with terms of references in compliance with A.5.2 of the Code. The nomination committee should perform the duties, including but not limit to:

- i. review the structure, size, composition and diversity (including the sex, age, cultural and educational background, race, professional experience, skills, knowledge and term 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;

CORPORATE GOVERNANCE REPORT

- ii. formulate the policies of nominating directors, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. The committee shall consider an individual's strengths while seeking for suitable candidates and take into consideration of the composition diversity of the Board with an objective view;
- iii. assess the independence of independent non-executive Directors;
- iv. to review the Board's diversity policy in appropriate circumstances, the measurable goal set by the Board to implement the Board diversity policy, the progress in achieving such goal, as well as to disclose the review results in the Corporate Governance Report annually; and
- v. to 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, taking into the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future.

During the year ended 31 December 2020, the nomination committee consisted of Mr. Zhang Yan, Mr. Yang Zhen and Mr. Chen Di. Mr. Zhang Yan was the chairman of the nomination committee. For the year ended 31 December 2020, the nomination committee convened one meeting to discuss the matters set out above.

Policy of Board Diversity and the Execution

When identifying suitable candidates for directorship, the nomination committee carries out the selection process by making reference to the skills, experience, background, professional knowledge, personal integrity and time commitments of the proposed candidates, and also the Company's needs and other relevant statutory requirements and regulations required for the positions. All candidates must be able to meet the standards as set forth in Rules 3.08 and 3.09 of the Main Board Listing Rules. A candidate who is to be appointed as an independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Main Board Listing Rules. Qualified candidates will then be recommended to the Board for approval.

In considering the appointment of Ms. Zhuang Renyan, the Board, with the assistance and recommendation from the nomination committee of the Company, has reviewed the structure, size, composition and diversity of the Board from a number of aspects, including but not limited to age, gender, geographical background, length of service, and the professional experience, skills and expertise she can provide. The Board is of the view that during her tenure as independent non-executive Director, she has made positive contributions to the Company's strategy, policies and performance with her independent advice, comments, judgment from the perspective of her respective background coupled with her general understanding of business of the Group. She also contributes to the diversity of the Board in age and geographical background. Holding not more than seven listed company directorship, she is able to devote sufficient time and attention to perform the duties as an independent non-executive Director. In view of the above, her appointment is considered to be of benefit to the Company.

Directors' Responsibilities for the Financial Reporting

The Directors are responsible for the preparation of the Group's and the Company's consolidated financial statements for the year ended 31 December 2020.

The Board is responsible to present a balanced, clear and understandable assessment in the Company's annual and interim reports, price-sensitive announcement and other financial disclosures required under the Main Board Listing Rules and other requirements from relevant regulations.

Senior management provides explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position.



CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board is responsible for maintaining a good internal control system to protect the Group's assets and interest of Shareholders. The Board should review and ensure the effectiveness of the risk management and system of internal controls annually.

The system includes a well-established organisational structure with clearly defined lines of responsibility and authority. Particular department is responsible for the department's daily operation and accountable for its practices and performances, operates the department's business in accordance with the terms of references it delegated and implement and strictly complied the strategies and policies formulated by the Company from time to time. Each department must report to the Board in terms of the major development of its business and the progress of the implementation of strategies and policies that are formulated by the Board.

For the year ended 31 December 2020, the Board reviewed the effectiveness of the internal control of the Group, covering the finance, operation, compliance and risk management. The review was conducted by discussing with the Company's management officers, external auditors and internal auditors with review of audit committee. The Board believes the existing internal control is sufficient and effective.

JOINT COMPANY SECRETARIES

Mr. Wei Dong and Mr. Chu Hon Leung are our joint company secretaries.

For details of Mr. Wei Dong and Mr. Chu Hon Leung, please refer to the section headed "Directors and Senior Management" in this report. The two joint company secretaries of the Company took no less than 15 hours of relevant professional training during the year.

NON-COMPETITION UNDERTAKING

A deed of non-competition (the "Deed of Non-Competition") was executed by each of the Substantial Shareholders (as defined in the Prospectus, being Mr. Zhang Yan, Sulfulon International, Mr. Wu Zhe, R&P Global, Mr. Huang Yong, Raglon International, Mr. Rao Zhenwu and Meteor Technology (as defined in the Prospectus), collectively referred to as "Covenantors") in favour of the Company. The Covenantors had confirmed to the Company that they had provided the Group all information necessary for the enforcement of the undertakings contained in the Deed of Non-Competition and had complied with the Deed of Non-Competition for the year ended 31 December 2020.

The independent non-executive Directors have reviewed and confirmed that each of the Covenantors had complied with the Deed of Non-Competition which has been enforced by the Company in accordance with its terms, and that there was no Business Opportunity being directed by the Covenantors to the Company as provided under the Deed of Non-Competition.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the Directors' remunerations and the five individuals with the highest emoluments are disclosed in Note 14 to the consolidated financial statements in this annual report in accordance with the provisions of the Main Board Listing Rules.

INDEPENDENT AUDITOR'S REMUNERATION

BDO Limited, Certified Public Accountants, is appointed as the Company's auditor. The fees in relation to the auditing services provided by BDO Limited to the Group, amounted to approximately RMB0.7 million for the year ended 31 December 2020 and the fees in relation to the reviewing services provided by BDO Limited during the Company's acquisition of Tak Shing International, amounted to approximately RMB2.0 million. Apart from that, there was no non-audit services provided during the year.

MATERIAL CHANGES IN CONSTITUTIONAL DOCUMENTS

On 24 January 2016, the Articles of Association was adopted with effect from the date of Listing. On 8 August 2019, the Company amended and restated the Articles of Association. Save as disclosed above, there was no change in the Articles of Association during the year.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company has adopted shareholders communication policy with objective of ensuring that the Shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company. The Company believes, effective communications with Shareholders and investors is essential to facilitate the Shareholders' understanding of the business performance and strategies of the Group. The Company also acknowledges the significance of the transparency of the company information and timely disclosure of such information so as to enable Shareholders and investors to make an informed investment decision.

The Company has established a number of channels to communicate with the Shareholders as follows:

- (i) corporate communications such as annual reports, interim reports, quarterly reports and circulars are issued in printed form and are available on the Main Board website www1.hkexnews.hk and the Company's website at www.firerock.hk;
- (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (iii) corporate information is made available on the Company's website, where updated information of business development and operation, finance resources, corporate governance practices and other materials are available for public inspection;
- (iv) annual and extraordinary general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management. The chairman of the Board and the chairmen of remuneration committee, audit committee, nomination committee, and in their absence, other members of these Board committees, attend general meetings to answer questions raised by Shareholders at the general meetings; and
- (v) the Hong Kong share registrar of the Company serves the Shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

Joint Company Secretary
2201-2203,
22/F, World-Wide House
Central, Hong Kong



CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHT

As one of the measures to safeguard Shareholder's interest and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. All resolutions put forward at Shareholders' meeting will be voted by poll pursuant to the Main Board Listing Rules and the poll voting results will be posted on the Hong Kong Stock Exchange's website and the Company's website after the relevant Shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of Shareholders holding not less than one-tenth of the paid up capital of the Company or by such Shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to Article of Associations. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting. Shareholders may put forward proposals at general meeting of the Company by sending the same to the Company at the principal place of business of the Company in Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

The Group is pleased to present the environmental, social and governance report (the “Report”) for the year ended 31 December 2020 (the “Year”). In this Report, the Group will provide a summarised account of its sustainability strategy, as well as relevant information on its performance in the environmental, social and governance (“ESG”) aspects.

Reporting Standards

The ESG report has been prepared in accordance with the “ESG Reporting Guide” set out in Appendix 27 of the Main Board Listing Rules and in compliance with the principles for disclosure set out in the guide, namely, materiality, quantitative measurement, balance and consistency. An index of contents is appended to this Report for ease of reference by readers. For details of the Group’s corporate governance, please refer to the “Corporate Governance Report” in this annual report.

Scope of Reporting

Unless otherwise stated, the ESG report covers the environmental and social performance by the principal subsidiaries of the Company — Shenzhen Fire Element Network Technology Co., Ltd, Shenzhen Fire Element Network Science and Technology Co., Ltd. (collectively “Shenzhen Fire Element”) and Firerock Co., Ltd (“Firerock Co.”) in Thailand for the period from 1 January 2020 to 31 December 2020 (the “Reporting Period”). Unless otherwise stated, the scope of disclosure of this Report is consistent with that of the Environmental, Social and Governance Report 2019 of the Company.

Sustainability Strategy

While maintaining a healthy and harmonious circle of online entertainment, we are also committed to the balance of environmental and social interests. As a responsible corporate citizen, we undertake our social responsibilities in a proactive manner, on top of meeting users’ demand and providing premium game contents to players. We provide a safe workplace, comprehensive remuneration packages and vocational training for employees, while vigorously involve ourselves in community welfare and environmental initiatives, with a view to co-development for the Company and the community. In the future, we will continue to create healthy and premium games for players and reduce any impact on the environment to promote the positive development of the society.

ESG Risk Management

The Board assumes overall responsibility for the Group’s ESG strategy and performance. The Board is responsible for providing strategic guidance, formulating sustainability policies and goals, supervising corporate governance matters, maintaining the Group’s risk management procedures, ensuring the effectiveness of internal measures implemented, and incorporating ESG agenda into the Group’s risk management procedures. The Group collected internal and external data as well as stakeholders’ views in a comprehensive manner through different channels, historical data, future forecasts, cases and information of other relevant domestic or international companies, in order to identify ESG risks which are material to the Group. Measures to address such risks are formulated accordingly and risk management measures of the Group are reviewed as and when necessary to ensure their effectiveness.

Feedback

Through this Report, we hope to enhance the Group’s engagement with its stakeholders, so that it could provide the driving force for our continuous progress. All stakeholders and members of the public are welcome to furnish their invaluable opinions and suggestions by emailing us at lizj@firerock.hk.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

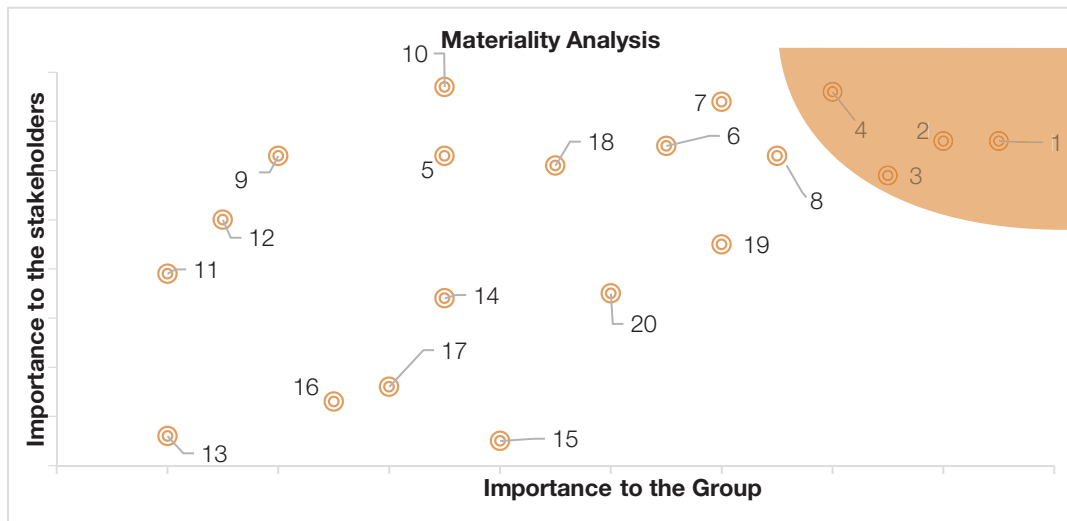
STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholders' views are important references for the implementation of sound ESG strategies. Therefore, we have sought understanding of and solutions to the major concerns of stakeholders through a diverse range of channels for communication as follows:

Stakeholders	Key points	Modes of engagement
Shareholders	<ul style="list-style-type: none"> ➤ Business strategy ➤ Investment return ➤ Corporate image 	<ul style="list-style-type: none"> ➤ General meeting ➤ Company website ➤ Annual report
Game users	<ul style="list-style-type: none"> ➤ Product quality ➤ Users' privacy 	<ul style="list-style-type: none"> ➤ Customer service ➤ Online communication ➤ Social media interaction
Suppliers	<ul style="list-style-type: none"> ➤ Compliance in operations ➤ Product quality 	<ul style="list-style-type: none"> ➤ Emails ➤ Meetings
Employees	<ul style="list-style-type: none"> ➤ Remuneration and benefits ➤ Equal opportunity and training ➤ Safe workplace 	<ul style="list-style-type: none"> ➤ Staff activities ➤ Staff satisfaction poll
Government	<ul style="list-style-type: none"> ➤ Compliance in operations ➤ Tax payment in accordance with the law 	<ul style="list-style-type: none"> ➤ Company website ➤ Statutory reports
Community	<ul style="list-style-type: none"> ➤ Community development ➤ Public welfare initiatives 	<ul style="list-style-type: none"> ➤ Community campaigns ➤ Promotional activities

To further ascertain material agenda in relation to ESG practice and disclosure, we have invited external and internal stakeholders to rate the materiality of the 20 issues listed below via an online poll designed with reference to the scope stipulated in the ESG Reporting Guide and taking into consideration the Group's business characteristics. As indicated by the results of the poll, the four most important issues are: game development capabilities, game-related health and safety issues, product responsibility and protection of the privacy of players/operators.

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Agenda

- | | |
|--|--|
| 1. Game development capabilities | 11. Preventing child and forced labour |
| 2. Game related health and safety issues | 12. Equal opportunity, diversity and anti-discrimination |
| 3. Protection of the privacy of players/operators | 13. Management of gas emissions |
| 4. Product responsibility | 14. Resources management |
| 5. Handling of players' complaints | 15. Solid wastes management |
| 6. Players' satisfaction | 16. Green procurement |
| 7. Relationship with employees | 17. Suppliers management |
| 8. Occupational health and safety | 18. Protection of intellectual property rights |
| 9. Training and development | 19. Anti-corruption |
| 10. Employee benefits | 20. Social contributions |

OUR BUSINESS DEVELOPMENT

The Group is a game developer principally engaged in the development of browser games and mobile games. Since 2019, we have started to launch our self-developed game products in overseas markets for self-operation, in a progressive transformation towards a business model of game development and distribution. Our games are developed in multiple language versions (including English, German, French, Thai and Simplified Chinese), such that game players in other countries as well as China can experience the variety of our game products. We have authorised a number of renowned game operators to carry out local operations and primary customer services for our games, while launching a number of games in the overseas for self-operation. Currently, browser games and mobile games developed by the Group can be viewed on most Internet-based social media, such as Facebook, Apple and the Google app store, as well as designated third-party game publishing platforms authorised by us, indicating a very strong market position for the Group.

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In 2020, we have launched the following new games:

Bull Hunter Series (Self-operated in Thailand)



Age of Star Wars Series



Jungle Treasure Series (Self-operated in Thailand)



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Supply Chain Management

The suppliers to our business include mainly suppliers of servers, bandwidth leasing companies and game operation service providers, online payment service providers and outsourced contractors for art and audio production services. We lower the ESG risk relating to supply chains by implementing stringent supplier evaluation and appraisal procedures. Quotations are sought from at least 2 suppliers. New suppliers working with us for the first time are required to submit past projects for evaluation, while suppliers with which we have collaborated before are required to submit their previous work portfolio for assessment. Moreover, our commercial officer also conducts an annual evaluation at the end of each year in accordance with criteria set out in the “Annual Evaluation Form for Outsourcing Suppliers” in relation to service quality and the timeliness of delivery, among others. We believe that supply-chain risks can be effectively managed through the aforesaid management measures.

At the same time, as a proprietary game operator, we need massive server and bandwidth capacity for the stable operation of our online games. We have leased online game servers in major regions in Thailand. Contingency plans have been formulated to address any urgent incidents such as server breakdown. In the event of breakdown of the main server, the contingency server room will start to operate and data will be uploaded to maintain latest players’ data. Our server supplier will assist in the recovery of our network.

PRODUCTS AND SERVICES

A Healthy Cyberspace

As an outstanding gaming enterprise, the Company persists in stringent compliance with laws and regulations pertaining to product liability, such as the “Notice on the Commencement of Real Name Verification for Online Games to Prevent Addiction”, “Administrative Regulations on Internet Publishing Services” and “Administrative Measures on Internet Information Services” of the PRC and the “Electronic Transactions Act”, “Computer Crime Law” and “Personal Data Protection Law” of Thailand. So far as the Directors of the Company are aware, the Group did not violate the aforesaid rules and regulations during the Reporting Period.

Moreover, as our games are offered to games players all over the world, we are required to comply with relevant law and regulations of the regions where licensed operations are being conducted, bearing in mind the cultural differences and customs of players of different regions. In the meantime, we have adopted the following measures to protect the mental and physical development of adolescents and foster a health and safe ambience for online games in our collaboration with licensed operators in various regions:

- Age limit is specified in the game description;
- Content and language filtering functions are embedded in the voice channel of the game to foster a healthy cyberspace;
- Daily limits for online connection are set for teenage users to prevent addiction to our games;
- Our games are subject to examination by competent regulatory authorities in compliance with relevant national laws and regulations.



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The Company maintains close communication with licensed operators to gauge the response of players in different markets. Therefore, the licensed operators have a significant influence on our sustainable development. Our commercial officer will select licensed operators based upon their influence and promotional ability in the local markets. We evaluate the performance of operators at the end of each year and assess their capabilities in game promotion and public relations, and only continue cooperation with those who have performed well. Moreover, we also hold customers' response in high regard. Game players may contact directly with our customer service personnel if they come across any technical problems. If complaints are related to the attitude towards customers, game quality or more serious complaints, the customer service department will notify relevant department managers for further action, and such managers in charge must follow up the complaints until they are satisfactorily settled, so as to ensure ongoing improvements to our services and game quality.

Protection of Users' Privacy

Users' data and privacy has always represented an important concern for us. We handle personal information obtained with extreme care to prevent the leak, damage or loss of information. All information pertaining to registration, game roles, value top-up, game experience and in-game items accessed in licensed operators' operational platforms and game product systems during the process of game play are regarded private and personal data of the game players.

In respect of the aforesaid information, we have established the following measures to safeguard the information security of players, including:

- Visit and access is subject to different clearance levels as only authorised staff are allowed to retrieve information within the scope of limitation;
- A fire wall is set to block illegal intrusion into our user database by external parties to access players' information;
- Encryption is installed for the transmission and storage of game players' sensitive information and data in the database to enhance security;
- Backup copies of all collected data are distributed in various locations on servers to reduce the risk of simultaneous loss of substantial data;
- Authority of user access to the database system is subject to regular review to prevent illicit operation by unauthorised personnel.

Moreover, as a proprietary game operator, we have the responsibility to adopt administrative measures for the assurance of cyber information security, including the prevention of computer virus infection, attack and sabotage, backup of important data, and maintenance of users' registration information, operating information maintenance log and other information, in order to protect the personal information of users. Our employees are required to sign a confidentiality agreement to ensure that they understand they need to keep strictly confidential the personal information of users collected during the course of providing service, and should not leak, tamper, damage, sell or illegally provide to others such information. Employees who have violated the said regulations will be given verbal or written warning. Disciplinary actions may be imposed or, in case of serious violation and/or repeated occurrence of inappropriate actions, the employees concerned will be dismissed. Apart from our concern for the possible leak of players' personal information, to protect the safety of virtual properties such as the roles and resources in players' game accounts, we also allow players to handle these properties through the standardized process for account retrieval or password retrieval.

PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

The stable development of the online game sector cannot be realised without proper protection of the intellectual properties of online games. The Group is committed to stringent compliance with pertinent laws and regulations, such as the “Patent Law of the PRC”, “Trademark Law of the PRC”; “Copyright Law of the PRC”, “Measures for the Administration of Internet Domain Names of China”, “Administrative Measures for Software Products”, and the “Patent Act”, “Copyright Act” and “Trademark Act” in Thailand. To the best of the knowledge of the Company’s Directors, the Group was not involved in any material violation of the aforesaid laws and regulations during the Reporting Period.

The Group has formulated the “Handbook for the Management of Intellectual Property Rights” to ensure the adoption of sufficient measures to protect in-house intellectual property rights and reduce potential loss in income when any intellectual property rights are misappropriated by third parties. The Group has also assigned dedicated personnel in charge of intellectual property management to register and maintain its intellectual property rights such as domain names, trademarks and designs for protection. At the same time, to ensure that our contents are original creations of our staff and avoid infringement of copyrights, we had obtained 51 software copyrights as at the end of the Reporting Period.

In addition, we also enter into agreements with service providers and licensed operators to protect our intangible assets, such as creative works and trade secrets, from unauthorised misappropriation. We arrange dedicated personnel to conduct routine inspection and appoint legal counsels to assist in the protection of our owned intellectual property rights if any acts of infringement or compromise of the Company’s interest are found.

Commercials and Labels

In stringent compliance with the Consumer Protection Act in Thailand, the Group conducts vetting of its commercials prior to publication to ensure accuracy of information disseminated and the lawfulness and reasonableness of its marketing and promotion.

During the Reporting Period, to the best of the knowledge of the Directors of the Company, the Group was not involved in any cases relating to data security and privacy, nor was there any violation of laws and regulations pertaining to health and safety, commercials and labels.

PROFESSIONAL TALENTS

Employees’ Rights

The Company’s business development is the result of the united effort of its staff. We are committed to talent acquisition on a fair, impartial and open basis and invite talents through different channels, such as staff referral, online recruitment, on-campus recruitment and employment agencies, such that equal employment opportunity is provided to different applicants. In addition, the Group pledges to treat every employee and job applicant with fairness and ensure that no one would be discriminated by reason of his/her age, nationality, race, religion, sexual orientation, gender, marital status, pregnancy, disability or political stance. To help new employees swiftly settle in our corporate family, the human resources department would continuously follow up on their adaptation in work in the first week of their induction and provide counselling to staff if necessary. We adopt a 5-day work week with a total of 40 working hours. Employees are entitled to statutory national holidays, marriage leaves, bereavement leaves, maternity leaves, carer’s leaves and nursing leaves, etc. Staff are given sufficient time to rest and full respect and protection for their rights to personal freedom. Forced labour is absolutely prohibited.

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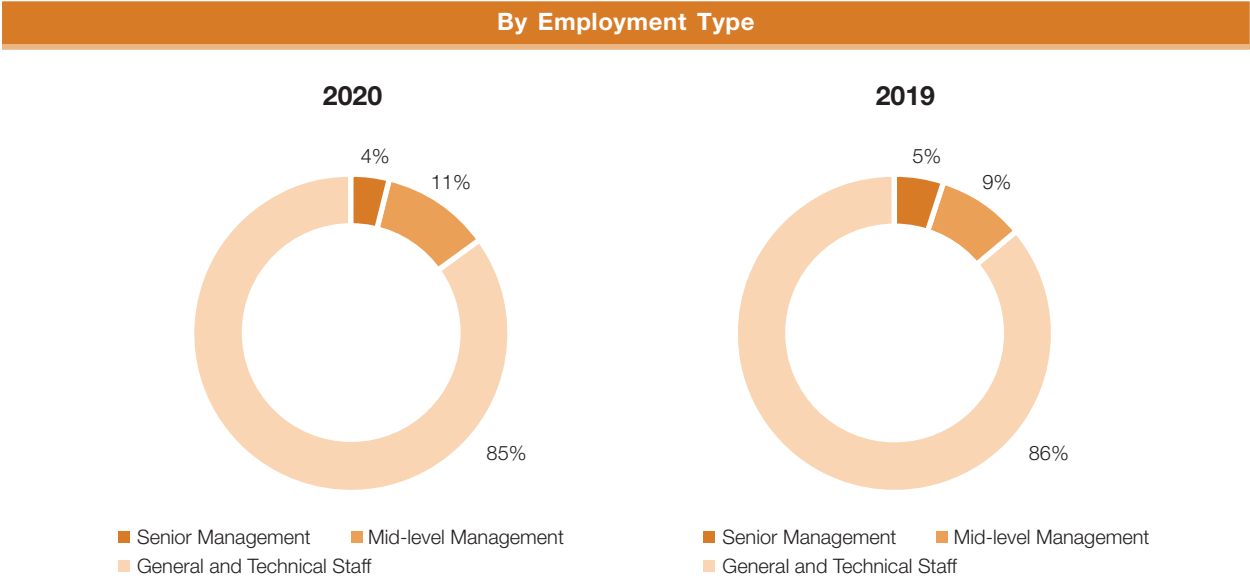
To attract and retain talents, we have adopted the “Regulations for the Remuneration Regime” and “Administrative Regulations for Appraisal of Staff Performance”, which provide for comprehensive assessment, including academic qualifications and work performance, as the basis for the award of discretionary bonus. In the meantime, the human resources department reviews staff remuneration packages on a regular basis and makes necessary adjustments in line with market expectations. We also provide various types of social insurance and housing provident fund in compliance with legal requirements. In addition, we arrange exit interviews with employees who are leaving us to understand the reasons for their resignation and invite suggestions for improvement.

Legal Compliance

We are in strict compliance with pertinent employment laws and regulations, including the “Labour Law of the PRC”, “Labour Contract Law of the PRC”, “Law on the Prevention of Occupational Disease of the PRC” and “Social Insurance Law of the PRC”, as well as “Working of Alien Act”, “Social Security Act” and “Workmen’s Compensation Act” in Thailand. To the knowledge of the Directors of the Group, during the Reporting Period, the Group was not subject to any significant administrative sanctions or punishments as a result of any violation of employment laws or regulations.

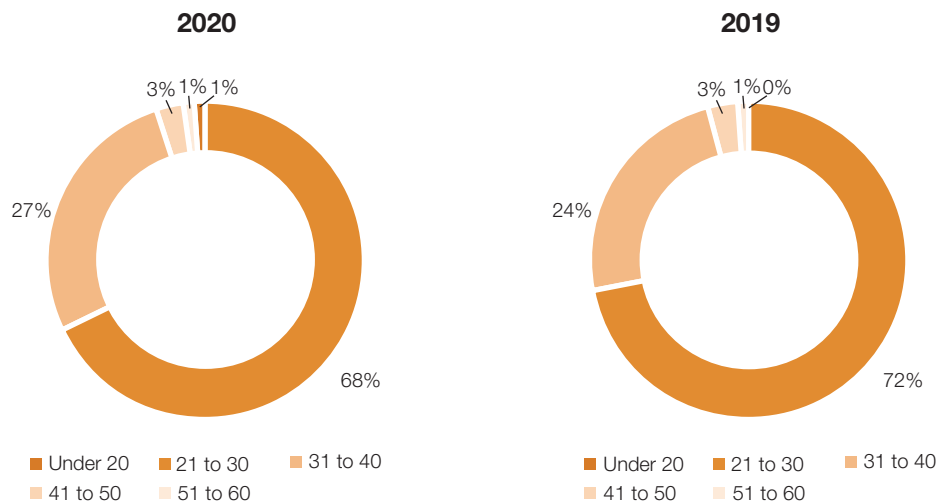
Staff Distribution

As at 31 December 2020, we had 216 employees comprising 168 male and 48 female employees, of which 188 were full-time staff based in mainland China, 26 were full-time staff based in Thailand and 2 were full-time staff based in Hong Kong. Detailed statistics on employees are set out as follows:



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By Age Group



Professional Training

Talent-driven innovation and proprietary development represents an important aspect in the Company's ongoing progress. We strongly encourage innovation and foster a workplace that induces creativity and promotes growth through learning, as we strive to upgrade our staff and help them to achieve personal fulfilment. We encourage our staff to participate in training and further learning for self-enrichment and seek progress for the benefit of personal as well as corporate development. To equip our staff with sound professional skills and prepare for the Company's future development, we organise training programmes and sharing sessions according to the actual needs of different teams to equip employees with skills and enhance their competence. Our training themes for the Year are set out as follows:

Topic of training	Participant	Contents
Induction training	New staff	Conventional training for new staff aimed to facilitate understanding of Company culture and regulations
Management and operation of intellectual property rights	All staff	Compliance training for all staff to enhance staff effort in the protection of intellectual property rights of creative products
Team management enhancement	Managers	To enhance the overall aptitude and competence of staff through team management, emotions management and inspirational counselling
Skill enhancement — team empowerment	Management	Designed for management personnel with the aim of helping them to improve management performance with the influence of corporate culture

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Team Management Enhancement Training



	2020	2019 ¹	Unit
Employee training analysis			
Total training hours	1,821	2,268	No of hours
Average training hours	6.15	9.45	No of hours/person
Percentage of employees trained by gender			
Male	83.97	78.22	%
Female	16.03	21.78	%
Percentage of employees trained by employment type			
Senior management	2.53	3.46	%
Mid-level management	8.44	10.40	%
General and technical staff	89.03	86.14	%
Percentage of employees trained by gender			
Male	6.75	10.02	No of hours/person
Female	4.32	7.81	No of hours/person
Average hours of training received per employee by employment type			
Senior management	14.50	13.89	No of hours/person
Mid-level management	32.42	22.34	No of hours/person
General and technical staff	3.34	8.30	No of hours/person

¹ We have drawn reference from the computational method for key social performance indicators set out in the document "How to Prepare an ESG Report" published by the Hong Kong Stock Exchange and recalculated our 2019 data accordingly.

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Staff Occupational Health and Safety

The Group provides a safe workplace for staff in strict accordance with the “Law on the Prevention of Occupational Disease of the PRC”, “Emergency Response Law of the PRC”, “Occupational Health Safety and Working Environment Act of the Kingdom of Thailand” and other pertinent laws and regulation. We arrange annual body check for staff for their health protection. We have already made a strong effort to foster a healthy and comfortable office environment, which features ergonomic furniture for staff, a gym for workout, and plantation in the office area to mitigate radiation released from electronic equipment. Furthermore, we have engaged a professional disinfection service provider to carry out regular disinfection at our offices each month to improve the quality of our office environment. In addition, we have participated in the fire drills organised by the property manager to ensure that our staff is equipped with basic knowledge to cope with fire accidents, such as the use of fire extinguishers and escape routes, such that they are better prepared for escape and self-rescue in the event of a fire.

During the Reporting Period, we did not encounter any work injury or work-related fatal accidents.



Fire Drill



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Epidemic Prevention and Control

During the epidemic, the Group scaled down the weekly badminton, basketball and football activities to avoid the gathering of crowds. At the same time, to avoid the spread of the epidemic, we formulated the “Epidemic Prevention and Control Proposal and Work Measures”, providing ‘work from home’ arrangements for certain staff, regular disinfection of offices, body temperature taking for all people entering or exiting the Company’s premises, distribution of face masks and sanitizing supplies to staff to reduce their risk of infection. Arrangements were also made for staff to have lunch separately to avoid cross infection.



Temperature check



Disinfection zone



Sharing the Festive Spirit

To show our care and regard for employees, the Group rewards its staff with festive or birthday gratuity or gifts on the occasions of statutory festive holidays or their birthdays to convey our good wishes. In addition, prior to the outbreak of the epidemic, we used to organise dinner gatherings, game sessions and sporting activities for staff on a regular basis to enhance their sense of belonging.



Tea time



Children's Day gifts for staff



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International Women's Day



Gifts for Dragon Boat Festival



Christmas charity



Ongoing Innovation

Apart from various skills and know-how for our work, creativity is also central to the Group's core value. In order to stimulate the innovative thinking of staff and inspire creative new ideas from the team and also to keep our staff interested in what they do, we organise contests from time to time for enrolment by staff, who are invited to submit proposals of preliminary game themes and concepts to showcase their creativity and game proficiency. These proposals are evaluated by an adjudicating panel based on creativity, pertinency of theme and originality of content. Creators of outstanding game proposals which have been adopted by the development team for further development into an official game will be rewarded with extra bonuses as a token of encouragement.

Labour Standards

The Group stands firmly against the employment of child or forced labour. We conduct our staff employment process in strict compliance with laws and regulations such as the "Labour Law of the PRC", "Labour Contract Law of the PRC", "Laws of the PRC on Protection of Minors" and "Regulations Banning Child Labour", as well as "Labour Protection Act" and "Labour Relations Act" in Thailand, among others. Our HR Department would check the identification papers of applicants to ensure they have reached the statutory age for labour. In addition, we have formulated the "HR Operating Guide for Work", which stipulates staff working hours to prohibit forced. Acts which are illegal or harmful to the employees are also expressly prohibited. In case that any employment of child or forced labour is found, actions will be taken immediately to terminate such employment and investigations will be made. During The Reporting Period, there is no occurrence of any employment of child or forced labour at the Group.

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BUILDING A GREENER ENVIRONMENT TOGETHER

Emissions and Use of Resources

As the Group is principally engaged in the development of browser games and mobile games mainly carried in the office setting, its day-to-day operations do not involve material direct discharge of pollutants and sewage, or the generation of other hazardous waste and solid packaging materials in a material manner. Therefore, our operations do not have any material impact on the environment and natural resources.

Energy Management

During the Reporting Period, externally sourced electricity consumed by office equipment, such as electronic devices, computer rooms, and lighting computers and other office equipment, represented the major source of the Group's greenhouse gas emissions. We had no direct and significant greenhouse gas emissions (scope 1). Indirect greenhouse gas emissions and electricity consumption data are set out in the following table:

	2020	2019 ²	Unit
Greenhouse gas emissions (scope 2) — electricity consumption	195.86	214.55	Tonnes of CO ₂ e
Intensity of greenhouse gas emissions (scope 2) — per sq.m.	0.08	0.14	Tonnes of CO ₂ e/sq.m.
Greenhouse gas emission in GFA — electricity consumption			
Total electricity consumption	256,599.00	270,988.78	kWh
Intensity of electricity consumption — electricity consumption per sq.m. in GFA	104.38	174.47	kWh/sq.m.

While we appreciate that our day-to-day operations do not have any material impact on the environment and natural resources, we are nevertheless committed to the reduction of energy consumption and greenhouse gas emissions, in the hope of doing our part in environmental protection. Measures implemented during the Reporting Period included the following:

- Energy conservation notices were posted in the office premises to remind employees to switch off all unnecessary electrical appliances prior to leaving for the day;
- Temperature of air conditioners is constantly set at 26°C;
- Use of LED lightbulbs in offices to reduce electricity consumption;

² We have drawn reference from the emission coefficient for externally sourced electricity in Mainland China as set out in the latest updates of "How to Prepare an ESG Report" published by the Hong Kong Stock Exchange and recalculated our 2019 data for scope 2 (indirect emission) accordingly.

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- Comparison of different models in the procurement of electronic equipment, giving preference to brands with outstanding performance in energy efficiency;
- Encouraging staff to turn off all unused lighting devices and electronic equipment and devices during lunch break or temporary absence from their work stations;
- Promotion of the energy conservation culture through regular internal emails.

Management of Water Resources

During the Reporting Period, our consumption of water took place mainly in our offices. At present, there is no problem of accessing water source. Nevertheless, we have posted reminders for water conservation in restrooms. We consumed 1,688 cubic metres (2019: 840 cubic metres) of water during the Year, representing a water consumption intensity of 0.69 cubic metre per square metre (2019: 0.54 cubic metre per square metre)³. With the expansion of our staff team, we moved to a larger office in January 2020 and switched to a direct drinking water system for staff consumption. Water consumption increased over the previous year as a result.

Waste Management

We did not generate any hazardous waste during the Year. Non-hazardous waste generated in our day-to-day operations included mainly paper and daily trash. During the Reporting Period, we replaced 7 obsolete toner cartridges and 1 ink cartridge (weighing not more than 0.1 tonne) (2019: weighing not more than 0.1 tonne) in our printers, and generated approximately 8.08 tonnes (2019: 8.11 tonnes) of non-hazardous wastes, with an intensity of not more than 0.003 tonne/square metre (2019: 0.005 tonne/square metre). We will continue to arrange recycling on the best effort basis to reduce any impact on the environment.

To reduce the volume of waste generation, we have implemented the following measures with full force:

- Waste sorting and notices on environmental matters were posted in office areas to encourage the use of electronic files instead of paper files by the staff;
- Electronic documents were used wherever possible to facilitate the paperless office;
- Printers with ink-saving features were used to reduce ink consumption in printing.

To further promote environmental awareness among our staff and in the community, Shenzhen Fire Element organised an environmental campaign to propagate the importance of waste sorting and recovery in the community.

Legal compliance

The Group strictly complies with various environmental laws and regulations, including the “Law of the People’s Republic of China on Environmental Protection”, “Law of the People’s Republic of China on Energy Conservation”, “Law of the People’s Republic of China on Prevention and Control of Environmental Pollution by Solid Waste”, “Law of the People’s Republic of China on Prevention and Control of Water Pollution”, “Law of the People’s Republic of China on Prevention and Control of Atmospheric Pollution” and “Law of the People’s Republic of China on Environmental Impact Assessment”, and the “Hazardous Substance Act”, “Public Health Act” and “Cleanliness and Orderliness Act” in Thailand. During the Year, to the best of the knowledge of the Directors of the Company, the Group was not subject to any significant administrative sanctions or punishments as a result of any violation of the aforesaid environmental laws or regulations.

³ Firerock Co. operated in leased office premises in Thailand, where water supply and discharge was controlled by the respective building management, who considered the provision of water consumption and discharge data or sub-meter to individual tenants not feasible. Hence, the data for the Reporting Period represented consumption by the offices of Shenzhen Fire Element only.

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Community welfare initiative — waste sorting



ANTI-CORRUPTION

The Group requires all Directors and staff members to conduct themselves according to high ethical standards and strictly prohibits any form of bribery or corruption. They are required to strictly comply with the established “Procedures on Reporting Bribery and Corruption”. The procedures stipulates that all allegations of suspected corruption or bribery will be thoroughly investigated and followed up by a dedicated team and reported to the Board for further actions. Whistleblowers may report any unethical and illegal behaviours through telephone, facsimile or emails on an anonymous basis.

We are in strict compliance with the laws and regulations of the Chinese and Thai government regarding money laundering, bribery, extortion, fraud and corruption, which include the “Interim Provisions on Prohibiting Commercial Bribery of the PRC”, “Anti-Money Laundering Law of the People’s Republic of China” and the “Anti-Unfair Competition Law” in China, and the “The Organic Act on Prevention and Suppression of Corruption 2018” and the “Anti-dumping Measure” in Thailand.

During the Year, the Group was not aware of any violations or lawsuits relating to money laundering, bribery, extortion, fraud and corruption which had a material impact on the Group.

SUPPORTING THE COMMUNITY

The Group upholds the belief that an enterprise has a duty to serve the community while pursuing economic development. As a responsible corporate citizen, we seek to reward the community through enthusiastic participation in charitable initiatives. During the Year, we donated RMB20,000 to Shenzhen Project Care Foundation for the support of less fortunate groups in the community. We also donated RMB50,000 to Shenzhen Mangrove Wetland Conservation Foundation for the promotion of wetland conservation initiatives.

GOING STRONG

Year 2020 has been a difficult year. Nevertheless, we will continue to present new game products to and assure premium experience for our users in persistent adherence to the central idea of sustainability. We will address 2021 with a positive mindset, staying vigilant against the epidemic as we continue to optimise our environmental initiatives, enhance staff training and strengthen our workforce on the basis of meritocracy. We will also actively reach out to the community and underprivileged groups, with a view to contributing to the sustainable healthy development of the society, economy and environment and achieving mutual growth with the society.

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Major Scopes, Aspects, General Disclosures and KPIs		Chapter/ Declaration	Page
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Management of Water Resources	63
KPI A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	N/A	N/A
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	Building a Greener Environment Together.	62
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Building a Greener Environment Together	62
B. Social.			
Employment and Labour Standards			
Aspect 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 relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Professional Talents	55
KPI B1.1:	Total workforce by gender, employment type, age group and geographical region.	Staff Distribution	56
Aspect 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 relating to providing a safe working environment and protecting employees from occupational hazards.	Staff Occupational Health and Safety	59
KPI B2.1	Number and rate of work-related fatalities.	Staff Occupational Health and Safety	59
KPI B2.2	Lost days due to work injury.	Staff Occupational Health and Safety	59

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scopes, Aspects, General Disclosures and KPIs		Chapter/ Declaration	Page
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Staff Occupational Health and Safety	59
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Professional Training	57
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Professional Training	57
KPI B3.2	The average training hours completed per employee by gender and employee category.	Professional Training	57
Aspect 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 relating to preventing child and forced labour.	Labour Standards	61
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards	61
KPI B4.2	Description of steps taken to eliminate violations when discovered.	Labour Standards	61
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	53
Aspect B6: Product Responsibility			
General Disclosure	Information on: (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.	Products and Services Commercials and Labels	53, 55
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Protection of Intellectual Property Rights	55

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Scopes, Aspects, General Disclosures and KPIs		Chapter/ Declaration	Page
KPI B6.4	Description of quality assurance process and recall procedures.	N/A	N/A
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Protection of Users' Privacy	54
Aspect 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 relating to bribery, extortion, fraud and money laundering.	Anti-corruption	64
KPI B7.1	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.	Anti-corruption	64
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Anti-corruption	64
Aspect 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.	Supporting the Community	64



DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. SU Yi (Chief Executive Officer) (appointed as an executive Director on 14 October 2020, and appointed as a Chief Executive Officer on 11 February 2021)
Mr. ZHOU Kun (appointed on 10 August 2020)
Mr. CHEN Di (re-designated from an independent non-executive Director to an executive Director on 19 March 2021)
Mr. HUANG Yong (re-designated from an executive Director to a non-executive Director, and resigned as Chief Executive Officer on 11 February 2021)
Mr. WU Zhe (resigned on 10 August 2020)
Mr. RAO Zhenwu (resigned on 10 August 2020)

Non-executive Directors

Mr. ZHANG Yan (Chairman)
Mr. HUANG Yong (re-designated from an executive Director to a non-executive Director, and resigned as Chief Executive Officer on 11 February 2021)
Ms. YANG Kan

Independent Non-executive Directors

Mr. CHAN King Fai
Mr. YANG Zhen
Ms. ZHUANG Renyan (appointed on 19 March 2021)
Mr. CHEN Di (re-designated from an independent non-executive Director to an executive Director on 19 March 2021)

BOARD OF DIRECTORS

Our Board currently consists of nine Directors, comprising three executive Directors, three non-executive Director and three independent non-executive Directors. The term of service for Directors is three years, and Directors are permitted to be re-elected. Responsibilities of the Board include but are not limited to (i) convening general meetings, reporting on the Board's work at these meetings, implementing the Shareholders' resolutions passed at these meetings; (ii) determining business operation, financial, capital and investment plans; (iii) determining internal management structure, setting down fundamental management rules; (iv) appointing and discharging members of senior management, determining Directors' remuneration and formulating the proposals for profit distributions and for the increase or reduction of registered capital; and (v) taking responsibilities pursuant to the relevant laws, regulation and the Articles of Association.

DIRECTORS

Mr. ZHANG Yan (張岩)

Chairman and non-executive Director

Mr. Zhang Yan, aged 50, is our chairman and a non-executive Director. Mr. Zhang is responsible for supervising the overall management and strategy planning of our Group. Mr. Zhang has been our Director since November 2014 and was appointed as our chairman in March 2015.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang has over 24 years of experience in the online game industry. Prior to joining our Group, from April 1997 to March 2010, he oversaw the development of several MMORPGs whilst working as the chief executive officer of Shenzhen Domain Computer Network Company Limited (深圳網域計算機網絡有限公司) (“Shenzhen Domain”), responsible for the overall operation and management. After that, Mr. Zhang explored his own business by investing in various companies conducting different lines of business.

Mr. Zhang is currently also a director of Fire Rock International and Shenzhen Fire Element.

Mr. Zhang received a diploma in computer communications from the Xidian University (西安電子科技大學) (Xi'an, the PRC) in July 1993.

MR. SU Yi (蘇毅)

Executive Director and Chief Executive Officer

Mr. Su Yi, aged 35, was appointed as an executive Director on 14 October 2020, and Chief Executive Officer on 11 February 2021.

MR. Su has more than 10 years of experience in the Internet industry. He has been the general manager of Fire Element Network Technology Company Limited* (火元素網絡技術有限公司), an indirect wholly-owned subsidiary of the Company, since September 2020. From June 2010 to June 2016, he was the regional general manager of Beijing Sienke Advertising Co. Ltd.* (北京思恩客廣告有限公司), a wholly-owned subsidiary of BlueFocus Communication Group* (藍色光標傳播集團) (a company listed on the ChiNext of Shenzhen Stock Exchange, stock code: 300058) with responsibilities in smart marketing and novel digital advertising services; from April 2017 to July 2020, he was the general manager of Shenzhen Qianhai Shougu Interactive Technology Co., Ltd* (深圳前海首谷互動科技有限公司) with responsibilities in Internet advertising, game publication and e-commerce activities.

MR. Su now is a director of Shenzhen Fire Element.

He obtained a bachelor's degree of Electrical and Information Engineering from Guangdong Polytechnic Normal University in June 2007.

MR. ZHOU Kun (周錕)

Executive Director and chief planning officer

Mr. Zhou Kun, aged 32, was appointed as executive Director on 10 August 2020.

Mr. Zhou has nearly 10 years of experience in the game industry, and has been a product director of Shenzhen Fire Element Network Technology Company Limited (深圳市火元素網絡技術有限公司), an indirect wholly-owned subsidiary of the Company, since April 2017. For the period from April 2011 to April 2014, Mr. Zhou worked with Shenzhen KooGame Technologies Co., Ltd. (深圳市掌中酷柚科技有限公司), where he first served as planning specialist, and later as operation specialist, responsible for product planning and operation development, respectively. For the period from May 2014 to May 2015, he served as head of product in Shenzhen EMAPGO Technology Co., Ltd. (深圳易圖通科技有限公司). For the period from June 2015 to February 2016, Mr. Zhou was a co-founder and product director of Shenzhen Yiyueyou Technologies Co., Ltd. (深圳宜悅游科技有限公司). For the period from April 2016 to March 2017, he served as head of product in Shenzhen Vikings Network Technology Co., Ltd. (深圳維京人網絡科技有限公司).

Mr. Zhou obtained a bachelor's degree in engineering from Huazhong University of Science and Technology in June 2011.

DIRECTORS AND SENIOR MANAGEMENT

Mr. CHEN Di (陳迪)

Independent non-executive Director

Mr. Chen Di, aged 41, was appointed as the independent non-executive Director of the Company in June 2017 and redesignated as the executive Director of the Company in March 2021.

Mr. Chen has worked in the banking, finance and securities industry for over 10 years with extensive experience in asset management. From July 2004 to August 2010, he worked at Overseas Chinese Town Group. Subsequently, he established Shenzhen Xiaobai Capital Limited (深圳市小白資本有限公司) in July 2013, making investments in enterprises such as Shenzhen Zhuohua Network and Technology Limited (深圳市灼華網絡科技有限公司) and Beijing Dingdong Lemon Science and Technology Limited (北京叮咚檸檬科技有限公司) and offering advice for their development. He also established Shenzhen Xiaobai Zhitong Equity Investment Partnership (Limited Partnership) (深圳市小白志同股權投資合夥企業(有限合夥)) in February 2016 and successfully obtained the copyright of the Buzzybee brand in China. He established Shenzhen Xiaobai Zhitong Investment Consulting Partnership (Limited Partnership) (深圳市小白志同投資諮詢合夥企業(有限合夥)), Shenzhen Xiaobai Digital Media Co., Ltd. (深圳市小白數字傳媒有限公司) and Shenzhen Donghe Digital Media Partnership (Limited Partnership) (深圳東禾數字傳媒合夥企業(有限合夥)) during August to October 2020. In August 2020, he served as a director of China Peak United Holdings (Shenzhen) Co., Ltd. (華峰聯合控股(深圳)有限公司), whose subsidiary China Peak Capital (華峰資本) has received numerous honours and accolades, including the “Best Innovative Investment Bank in Equity Investment in China 2018” awarded by renowned magazine Finance China (《融資中國》).

Mr. Chen obtained a bachelor’s degree in e-commerce from Liaoning Science and Technology University in June 2004 and a master’s degree in applied psychology from Peking University in July 2012. He has enrolled in the 15th Executive Master of Business Administration (EMBA) programme of the PBC School of Finance, Tsinghua University since September 2020.

Mr. HUANG Yong (黃勇)

Non-executive Director and Chief Technology Officer

Mr. Huang Yong, aged 41, is our non-executive Director and chief technology officer. Being one of the founders of the Group, Mr. Huang was appointed as the general manager and executive Director since November 2012. He serves as our Director since November 2014 and was appointed as our chief executive officer in March 2015. Mr. Huang was re-designated to a non-executive Director and was appointed as the chief technology officer of the Company, and resigned as Chief Executive Officer on 11 February 2021.

Mr. Huang is experienced in software development, having worked in the industry since 2001. Prior to joining the Group, Mr. Huang worked as a project leader in Shenzhen Wellhope Multimedia Company Limited (深圳維豪多媒體有限公司) from July 2001 to December 2003 as project manager; as a chief programming officer in Shenzhen Domain from April 2004 to April 2007, responsible for game development; and as a general manager in Shenzhen Aoyouba Digital Interaction Technology Company Limited (深圳市敖游吧數字互動科技有限公司) (“Shenzhen Aoyouba”) from May 2007 to October 2010, responsible for game development.

Mr. Huang has participated in the design and development of a number of MMORPGs from 2004 to 2010. In designing these games, Mr. Huang was mainly responsible for the development and maintenance of the server architecture, communications layer, event servers, database engine and anti-hacker systems.

Mr. Huang obtained a bachelor’s degree majoring in vehicle engineering from the Hunan University (湖南大學) (Changsha, the PRC) in July 2001.



DIRECTORS AND SENIOR MANAGEMENT

Ms. YANG Kan (楊侃)

Non-executive Director

Ms. Yang Kan, aged 44, was appointed as a non-executive Director on 30 June 2017.

Ms. Yang has worked in the marketing industry for over 10 years. She worked at China Eastern Airlines from 2003 to 2012 and promoted to manager. She was responsible for human resources management and corporate image promotions during which she gained extensive knowledge in corporate operations management. She worked as an executive director of China 33 Media Group Limited, which is listed on GEM of the Hong Kong Stock Exchange (Stock Code: 8087) from February 2015 to August 2015. Ms. Yang graduated from the Huazhong University of Science and Technology (華中科技大學) with a bachelor's degree in international economic and trade.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN King Fai (陳京暉)

Independent non-executive Director

Mr. Chan King Fai, aged 50, was appointed as an independent non-executive Director on 24 January 2016.

Mr. Chan has over 20 years of experience in accounting, taxation and company secretarial service. He is a practising certified public accountant in Hong Kong and is currently a partner of Lau Chan and Company.

Mr. Chan was an independent non-executive director of Heng Fai Enterprises Limited (with its name changed to ZH International Holdings Limited in July 2015) from August 2011 to July 2015 (stock code: 0185), which is listed on the Main Board of the Stock Exchange. Since March 2008, he has been an executive director of Promotion Technology Limited, a company which provides company secretary services in Hong Kong. Since May 2017, he has been an independent non-executive director of Singapore eDevelopment Limited, a company listed on Singapore Exchange.

Mr. Chan obtained a master's degree in business administration from The University of Warwick (the United Kingdom) in April 2007 and a master's degree in accountancy from The Chinese University of Hong Kong (Hong Kong) in December 2000. He is a fellow member of the Association of Chartered Certified Accountants since July 2002, an associate member of the Hong Kong Institute of Certified Public Accountants since January 1998, an associate member of The Taxation Institute of Hong Kong since July 2000, an associate member of The Hong Kong Institute of Chartered Secretaries since June 2006 and an associate member of The Institute of Chartered Secretaries and Administrators since June 2006. Mr. Chan is currently a Certified Tax Adviser in Hong Kong.

Mr. YANG Zhen (楊振)

Independent non-executive Director

Mr. Yang Zhen, aged 40, was appointed as an independent non-executive Director on 26 August 2019.

Mr. Yang has over 16 years of experience in IT field. He has been working as general manager in the online gaming department of SINA Corporation firm since 2007. He obtained a bachelor degree in industrial automation engineering from The Liaoning University of Science and Technology (遼寧科技大學) in 2002 and EMBA from China Europe International Business School in 2016.

DIRECTORS AND SENIOR MANAGEMENT

Ms. ZHUANG Renyan (莊任艷)

Independent non-executive Director

Ms. Zhuang Renyan, aged 51, was appointed as an independent non-executive Director of the Company in March 2021.

Ms. Zhuang has worked in the accounting and finance sector for more than 26 years. She was a project manager at Shenzhen Xin De CPA (深圳信德會計師事務所) from January 1995 to June 1997, and was posted to Coopers & Lybrand CPA in Hong Kong as an exchange personnel from June 1997 to June 1998. From June 1998 to August 2001, she was a senior manager at Tian Jian Xin De CPA (天健信德會計師事務所). From August 2001 to September 2009, she served as the chief financial officer and secretary to the board of directors of AAC Technologies Holdings Inc (瑞聲科技控股有限公司) (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 2018). From September 2009 to November 2011, she was the chief financial officer at Tatfook Technology Co., Ltd. (深圳市大富科技股份有限公司) (now known as Anhui Tatfook Technology Co., Ltd. (大富科技(安徽)股份有限公司), a company listed on the Shenzhen Stock Exchange, stock code: 300134). Since December 2011, she has been a partner of Shenzhen Fortune Focus Fund Management Company Limited (深圳市鑫致誠基金管理有限公司) and has been appointed by the company to concurrently serve as a director at each of Shenzhen Gaoyuantong New Materials Technology Co., Ltd. (深圳高遠通新材料科技有限公司) and Xiamen Linktop Technology Co., Ltd. (廈門市凌拓通信科技有限公司), and a supervisor of Shenzhen Busbar Sci-Tech Development Co., Ltd. (深圳巴斯巴科技發展有限公司). She has been an independent director of Shenzhen Hymson Laser Intelligent Equipment Co., Ltd. (深圳市海目星激光智能裝備股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 688559) since October 2017. She has been serving as a corporate tutor to students of the master's degree in accounting at Shanghai Maritime University since August 2018. She has been an independent director of Shenzhen Goodix Technology Co., Ltd. (深圳市匯頂科技股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603160) since September 2018. She has been a director of Kunshan Ruixiang Xuntong Communication Technology Co., Ltd. (昆山睿翔訊通通信技術有限公司) since March 2021.

Ms. Zhuang obtained an undergraduate degree in finance and accounting and a graduate degree in Economics in July 1992 and March 1995, respectively, from Shanghai Maritime Academy (上海海運學院) (renamed Shanghai Maritime University (上海海事大學) in 2004 with the approval of the Ministry of Education). Ms. Zhuang is a PRC certified public accountant qualified for securities and futures businesses and a senior accountant. She also holds the qualification certificate for independent directors issued by the Shenzhen Stock Exchange, qualification certificate for independent directors issued by the STAR Market, Shanghai Stock Exchange and qualification certificate for board secretaries issued by the Shenzhen Stock Exchange.



DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our Company's business.

Mr. WEI Dong (衛東)

Chief financial officer and joint company secretary

Mr. Wei Dong, aged 52, is our chief financial officer. Mr. Wei is responsible for the daily management and operations; assisting the chief executive officer in financial planning and responsible for administration of the Board's matters. Mr. Wei joined our Group in September 2014 as the chief financial officer of Shenzhen Fire Element. In March 2015, Mr. Wei was appointed as the chief financial officer and joint company secretary of our Company.

Mr. Wei possesses over 28 years of experience in the accounting and finance industry. Mr. Wei commenced his career as an accounting and finance work staff at the Shaanxi Aircraft Manufacturing Corporation (陝西飛機製造公司) (restructured in 1999 as Shaanxi Aircraft Industry (Group) Corporation Ltd. (陝西飛機工業(集團)有限公司)) in August 1988 until May 1996, responsible for accounting and auditing works. Mr. Wei then worked as an auditing staff in Shenzhen Tianjian Xinde Accounting Firm (深圳天健信德會計師事務所), responsible for accounting and auditing works from August 1996 to October 2001; as chief auditor and partner in Shenzhen Changcheng Accounting Firm Company Limited (深圳市長城會計師事務所有限公司) from November 2001 to September 2009 and from June 2012 to May 2013, responsible for accounting and auditing works; and in Beijing Xinghua Accounting Firm Company Limited (北京興華會計師事務所有限責任公司) from October 2009 to April 2012 as a senior audit manager, responsible for accounting and auditing works. Mr. Wei worked as the chief financial officer in Hangzhou Green Valley from June 2013 to August 2014 responsible for financial control and corporate finance.

Mr. Wei is currently a director of Fire Rock (HK) and Shenzhen Fire Element.

Mr. Wei obtained a college diploma of accounting from Shaanxi Financial and Economic Institute (陝西財經學院) (Xi'an, the PRC) (now the School of Finance and Economics of Xi'an Jiaotong University (西安交通大學經濟與金融學院)) in December 1993. Mr. Wei is a Certified Public Accountant (中國註冊會計師) of the Chinese Institute of Certified Public Accountants since October 1999.

Mr. YUAN Zhen (袁臻)

Chief marketing officer

Mr. Yuan, aged 33, is our chief marketing officer. Upon joining the Group in 2017, Mr. Yuan worked as the chief marketing officer of Shenzhen Fire Element. Mr. Yuan is responsible for the management of marketing and maintenance during the operation of the game product, as well as the monitoring of intellectual property and assisting the chief product officer in project management.

Mr. Yuan possesses over 7 years of experience in the computing industry. From November 2011 to May 2013, Mr. Yuan worked at Xi'an Green Valley Network Technology Company Limited* (西安綠谷網絡技術有限公司) and was responsible for the operation and management of a client game, the Dragon Legend* (龍之傳奇) series. From June 2013 to December 2015, he acted as an operational officer at JiaTang.com and was responsible for the operation and management of a mobile game, the Monkey King* (全民西遊系列) series. From December 2015 to May 2016, he worked at qianz.com in Shenzhen as an operational office and participated in the strategic plan matters of the company.

Mr. Yuan obtained a diploma in e-commerce from Xi'an Technological College (西安工業科技學院) in June 2011 and a diploma in business administration from Dalian University of Technology (大連理工大學) in July 2015.

* for identification purposes only



DIRECTORS AND SENIOR MANAGEMENT

Mr. XIANG Bin (向斌)

Chief information officer

Mr. Xiang, aged 38, is our chief information officer. Mr. Xiang is responsible for the maintenance of database and systems, and assisting the chief technology officer in the research and planning of new technology. Mr. Xiang joined our Group in December 2011 as chief database officer of Shenzhen Fire Element.

Mr. Xiang possesses over 9 years of experience in the computing industry. From April 2006 to April 2007, Mr. Xiang worked at Beijing Network Technology Development Company Limited (北京新網科技發展有限公司) and was responsible for the development of web pages in the IT industry. Mr. Xiang worked at Shenzhen Domain from December 2007 to April 2011 and was responsible for the development of web pages and databases, together with the design of the webpage framework.

Mr. Xiang obtained a diploma of computer information management from Hunan International Economics University (湖南涉外經濟學院) (Changsha, the PRC) in June 2004 and a diploma in computer application technology from Hunan University of Science and Technology (湖南科技大學) (Xiangtan, the PRC) through attending distance learning courses in July 2014.

He also participated in the Tests of the National Computer Information Technology (全國計算機信息高新技術考試) in 2003 and 2006, attaining, respectively, level four of National Occupational Qualification (國家職業資格四級) for image and graphic treatment (Photoshop system) and level three of National Vocational Qualifications (國家職業資格三級) for computer programming.

JOINT COMPANY SECRETARIES

Mr. Wei Dong and Mr. Chu Hon Leung are our joint company secretaries.

Mr. Wei Dong (衛東), one of our joint company secretaries, is also a member of our senior management. Mr. Wei was appointed as one of the joint company secretaries of our Company with effect on 24 January 2016. For further information of Mr. Wei Dong, please refer to the sub-section headed “Senior management – Mr. Wei Dong (衛東)” above in this section.

Mr. Chu Hon Leung (朱瀚樑), aged 38, has been a practicing solicitor in Hong Kong since 2009 and is currently an associate of Li & Partners. Mr. Chu had been in private practice as a solicitor with local and international law firms in Hong Kong and was an in-house counsel with a leading PRC asset management company. Mr. Chu obtained his bachelor degree in commerce from Macquarie University in Sydney, Australia, his graduate diploma in law from The College of Law in London, United Kingdom and graduated from the City University of Hong Kong with the postgraduate certificate in laws.



DIRECTORS' REPORT

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Group is mainly engaged in the development of browser and mobile games, as well as licensing game products to other well-established game operators with the right to exclusively/non-exclusively operate, publish and distribute specific games within an agreed period and within designated territories. Since last year, the Group extended its business scope to applied computer software R&D and self-operation of mobile device games gradually shifting to a game development plus game publishing business model.

For the principal activities and other details of the subsidiaries of the Company, please refer to Note 28 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the financial statements on page 90 of this annual report.

BUSINESS REVIEW

Details of the Group's business review (including discussion of the Group's performance during the year, risks factors faced and risk mitigation measures, details of the Group's compliance with the law and regulation which are of a material effect and the future business development of the Group) are set out in the sections headed, "Management Discuss and Analysis" and "Environmental, Social and Governance Report" in this annual report. Those review and discussion constitute part of the Directors' Report.

SHARE CAPITAL

For the year ended 31 December 2020, details of the movements in share capital of the Company during the year are set out in the Note 23 to the consolidated financial statements.

USE OF PROCEEDS FROM PLACING

The Company's shares were listed on GEM of the Stock Exchange on 18 February 2016 and net proceeds Shares of the Company has from the Placing were approximately HKD28.9 million. Listing of the Shares of the Company has been transferred to the Main Board from GEM on 27 June 2019. For the year ended 31 December 2020, the Group has spent approximately HKD27.4 million, in aggregate, of the proceeds from the Placing (approximately HKD7.2 million on development of new games on mobile devices, approximately HKD7.2 million on development of new browser games, approximately HKD2.9 million on the continual optimisation of our existing games on various platforms, approximately HKD2.5 million on enhancing our game development capabilities, approximately HKD3.6 million on the acquisition/investment of game developers and related companies, approximately HKD1.5 million for working capital and other general corporate uses and approximately HKD2.5 million for seeking opportunities to obtain/acquire the adoption rights of appropriate contents).

	Original allocation <i>HKD'm</i>	Original allocation <i>Percentage</i>	Used amount as at 31 December 2020 <i>HKD'm</i>	Used amount as at 31 December 2020 <i>Percentage</i>	Unused amount as at 31 December 2020 <i>HKD'm</i>	Unused amount as at 31 December 2020 <i>Percentage</i>
Continual optimisation of existing games on various platforms	2.9	10.0%	2.9	10.0%	—	—
Development of new game series — browser games	7.2	25.0%	7.2	25.0%	—	—
Development of new game series — mobile games	7.2	25.0%	7.2	25.0%	—	—
Seeking opportunities to obtain/acquire the adaption rights of appropriate source materials	3.6	12.5%	2.5	8.7%	1.1	3.8%
Acquisition of/investment in game developers and related companies	3.6	12.5%	3.6	12.5%	—	—
Enhancement and diversification of game development capabilities	2.9	10.0%	2.5	8.7%	0.4	1.3%
Working capital and other general corporate purposes	1.5	5.0%	1.5	5.0%	—	—
Total	28.9	100.0%	27.4	94.8%	1.5	5.2%

RESERVES

For the year ended 31 December 2020, details of the changes in the reserves of the Group are set out in the consolidated statement of changes in equity and Note 24 to the consolidated financial statements. As at 31 December 2020, the distributable reserves of the Company approximately amounted to RMB520.0 million.



DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

Our major customers are licensed operators. For the year ended 31 December 2020, the revenue contributed from our five largest licensed operators accounted for approximately 98.2% of our total revenue, while our single largest licensed operator contributed approximately 69.9% of our total revenue.

Our major suppliers include companies which provided outsourced services such as part of the graphic design and audio production of sound effects, background music and game testing fee of our games in the game research and development activities and also in their subsequent updates and enhancements as well as server data centre and bandwidth service providers. For the year ended 31 December 2020, purchases from our five largest suppliers accounted for approximately 29.1% of our total purchases, while purchases from our single largest suppliers accounted for approximately 19.6% of our total purchases.

None of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest operators or suppliers.

FINANCIAL HIGHLIGHTS

A summary of the published results and of the assets and liabilities of the Group for the last four financial years, as extracted from the audited financial statements, was set out on page 7 in the annual report. The summary does not form part of the audited consolidated financial statements of the Group.

BUSINESS REVIEW AND RISK FACTORS FACED BY THE COMPANY AND THE RESPONSE STRATEGIES

Details of the business review and risk factors faced by the Company as well as the response strategies are set out in the "Management Discussion and Analysis" section of this report, and form part of the "Directors' Report".

CHARITY DONATION

For the year ended 31 December 2020, the Group devoted RMB20,000 to Shenzhen Project Care Foundation and RMB50,000 to some Shenzhen Mangrove Wetlands Conservation Foundation (MCF).

PROPERTY, PLANT AND EQUIPMENT

Details of the changes in property, plant and equipment during the year ended 31 December 2020 are set out in the Note 15 to the consolidated financial statements.

BORROWING

As at 31 December 2020, the Group did not have any bank or other borrowings.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities.

SUFFICIENT PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, there is sufficient public float of the Company's securities as required under the Main Board Listing Rules for the reporting period and up to the date of this report.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the articles or the laws of the Cayman Islands, and no restrictions exist which oblige the Company to offer new shares on a pro rata basis to its existing Shareholders.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into service contract with the Company, each of the independent non-executive Directors and the non-executive Directors has signed a letter of appointment with the Company, and is subject to termination by either party giving not less than three months' written notice. Such appointments are subject to retirement by rotation provisions in the Articles of Association.

At the Annual General Meeting held on 17 April 2020, certain directors were re-appointed, appointed and re-designated by the Company.

No Director proposed for re-election at the forthcoming Annual General Meeting has a non-expired service contract with the Company or any subsidiaries, which is not determinable by the Company or any subsidiaries within one year without payment of compensation (other than statutory compensation).

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS' INDEPENDENCE

According to the Rule 3.13 of Main Board Listing Rules, the Company has received a confirmation from each of the independent non-executive Directors in respect of their independence. The Company has reviewed the independence of aforementioned Directors. We consider that all independent non-executive Directors are being considered to be independent.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2020, the Directors and the chief executive of our Company had the interests in the Shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"):

- (a) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or
- (b) which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or

DIRECTORS' REPORT

- (c) which will be required to be notified to our Company and the Stock Exchange pursuant to Appendix 10 of the Main Board Listing Rules, as follows:

Name	Capacity	Number of Shares ¹	Percentage of Shareholdings
Mr. Zhang Yan ²	Beneficial owner and Interest of controlled corporation	391,200,000	40.75%
Mr. Huang Yong ³	Interest of controlled corporation	11,976,000	1.25%
Mr. Zhou Kun	Beneficial owner	300,000	0.03%

Notes:

1. All interests stated are long positions.
2. Mr. Zhang Yan is interested in approximately 40.75% of the total issued shares of the Company, i.e. 391,200,000 Shares, including:
 - i. 19,200,000 shares owned by beneficial owners, accounting for approximately 2.00% of the Company's issued share capital;
 - ii. 327,000,000 shares, accounting for approximately 34.06% of the Company's share capital. Mr. Zhang Yan is interested in the entire issued share capital of Sulfulon International Limited and he is therefore deemed to be interested in the Shares held by Sulfulon International Limited by virtue of the SFO;
 - iii. 45,000,000 Shares, representing approximately 4.69% of the share capital of the Company. Mr. Zhang Yan is interested in the entire issued share capital of Infinities Investment Pte. Ltd., which is wholly-owned by Infinities Super Holding Limited. Infinities Super Holding Limited is a company incorporated in the Cayman Islands with limited liability and is wholly-owned by Mr. Zhang Yan. Therefore, Mr. Zhang Yan is deemed to be interested in the Shares held by Infinities Investment Pte. Ltd. by virtue of the SFO.
3. Mr. Huang Yong is interested in the entire issued share capital of Raglon International Limited and he is therefore deemed to be interested in the 11,976,000 Shares held by Raglon International Limited by virtue of the SFO.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to Appendix 10 of the Main Board Listing Rules relating to securities transactions by Directors to be notified to our Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES OR UNDERLYING SHARES

So far as is known to the Directors or chief executive of the Company, as at 31 December 2020, the following persons had, or were deemed or taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Number of Shares ¹	Percentage of shareholding
Sulfulon International Limited	Beneficial owner	327,000,000	34.06%
Mr. Zhang Yan ²	Interest of controlled corporation	391,200,000	40.75%
Ms. Zheng Xin ³	Interest of spouse	391,200,000	40.75%
Raglon International Limited	Beneficial owner	11,976,000	1.25%
Mr. Huang Yong ⁴	Interest of controlled corporation	11,976,000	1.25%
Ms. Pan Li ⁵	Interest of spouse	11,976,000	1.25%
Mr. Zhou Kun	Beneficial owner	300,000	0.03%
Ms. Hu Jinrui ⁶	Interest of spouse	300,000	0.03%
Mr. Zhang Xiongfeng	Beneficial owner	48,004,000	5.01%
Silver Wide Holdings Limited	Beneficial owner	48,000,000	5.00%
Mr. Hu Po ⁷	Interest of controlled corporation	48,000,000	5.00%

Notes:

- All interests stated are long positions.
- Mr. Zhang Yan is interested in approximately 40.75% of the total issued shares of the Company, i.e. 391,200,000 Shares, including:
 - 19,200,000 shares owned by beneficial owners, accounting for approximately 2.00% of the Company's issued share capital;
 - 327,000,000 shares, accounting for approximately 34.06% of the Company's share capital. Mr. Zhang Yan is interested in the entire issued share capital of Sulfulon International Limited and he is therefore deemed to be interested in the Shares held by Sulfulon International Limited by virtue of the SFO;
 - 45,000,000 Shares, representing approximately 4.69% of the share capital of the Company. Mr. Zhang Yan is interested in the entire issued share capital of Infinities Investment Pte. Ltd., which is wholly-owned by Infinities Super Holding Limited. Infinities Super Holding Limited is a company incorporated in the Cayman Islands with limited liability and is wholly-owned by Mr. Zhang Yan. Therefore, Mr. Zhang Yan is deemed to be interested in the Shares held by Infinities Investment Pte. Ltd. by virtue of the SFO.
- Ms. Zheng Xin is the spouse of Mr. Zhang Yan and she is therefore deemed to be interested in the Shares held by Mr. Zhang Yan by virtue of the SFO.
- Mr. Huang Yong is interested in the entire issued share capital of Raglon International Limited and he is therefore deemed to be interested in the Shares held by Raglon International by virtue of the SFO.
- Ms. Pan Li is the spouse of Mr. Huang Yong and she is deemed to be interested in the Shares held by Mr. Huang Yong by virtue of the SFO.
- Ms. Hu Jinrui is the spouse of MR. ZHOU KUN and she is deemed to be interested in the Shares held by Mr. Zhou Kun by virtue of the SFO.
- Mr. Hu Po is interested in the entire issued share capital of Silver Wide Holdings Limited and he is therefore deemed to be interested in the Shares held by Silver Wide Holdings Limited by virtue of the SFO.



DIRECTORS' REPORT

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

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

None of the Directors, the controlling shareholders, nor their respective associates had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year ended 31 December 2020.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme ("Share Option Scheme") conditionally adopted by our Company on 24 January 2016. The terms of the Share Option Scheme are in compliance with the provisions of the Main Board Listing Rules.

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the eligible participants have had or may have made to the Group. The scheme is valid and effective for a period of ten years commencing from the date of adoption of the scheme.

Eligible participants of the Share Option Scheme include:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non executive Directors) of the Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and
- (iv) 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.

As at 31 December 2020, the total number of Shares available for issue under the Share Option Scheme is 48,000,000 Shares, representing 5% of the issued share capital of the Company. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of the Company but subsequently cancelled (the "Cancelled Shares")) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular and the approval of the Shareholders in general meeting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted.

Upon acceptance of an option to subscribe for shares granted pursuant to the scheme (the "Option"), the eligible participant shall pay HKD1.00 to the Company as consideration for the grant. The subscription price for the Shares subject to Options will be a price determined by the Board and notified to each participant and shall be the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant of the Options; and
- (iii) the nominal value of a Share.

No share option has been granted as at the date of this report and since the adoption of the scheme.

* Before the share subdivision took effect, the authorized share capital of the Company was HKD20,000,000, divided into 2,000,000,000 shares with a par value of HKD0.01 each, of which 320,000,000 shares were issued and fully paid or credited as fully paid shares. After the share subdivision becomes effective, the authorized share capital of the Company is HKD20,000,000, divided into 6,000,000,000 subdivided shares with a par value of one-third Hong Kong cent each, of which 960,000,000 subdivided shares will be issued and fully paid or credited as fully paid stock.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in note 26 to the consolidated financial statements.

CONNECTED TRANSACTIONS

The Company has not entered into any connected transactions as defined under the Main Board Listing Rules for the year ended 31 December 2020. For the avoidance of doubt, none of the related party transactions undertaken by the Group during the year ended 31 December 2020 constituted connected transaction of the Company under the Main Board Listing Rules.

NON-COMPETITION UNDERTAKING OF DIRECTORS

Each of the executive Directors has undertaken that, among other things, shall not, and shall procure that his/its close associates shall not, among other things:

- (a) directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) (i) the current and potential business engaged or to be engaged by our Group, including but not limited to the development of electronic/online games and/or (ii) any other new business that our Group may undertake from time to time after the Listing (collectively the "Restricted Business") and where they become aware of such engagement of the Restricted Business they shall notify our Company forthwith;



DIRECTORS' REPORT

- (b) solicit or procure any of the suppliers and/or the customers of our Group from time to time to terminate their business relationships or otherwise reduce the amount of business with our Group;
- (c) solicit or procure any of the directors, senior management or other employees of our Group from time to time to resign or otherwise cease providing services to our Group; and/or
- (d) unless with the prior written consent of our Company, disclose any confidential information of our Group to any other third parties, including but not limited to, customers list and supplier list.

Each of the executive Directors confirmed that he/she has fulfilled the above non-competition undertakings from the date of Listing to the year ended 31 December 2020.

PERMITTED INDEMNITY PROVISION

Appropriate Directors' liability insurance cover has been arranged by the Company to indemnify the Directors for liabilities arising out of corporate activities. The coverage and the sum insured under the policy are reviewed annually.

INTEREST OF COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, Kingsway Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 17 June 2019, neither the Compliance Adviser nor its directors, employees or associates (as defined in the Main Board Listing Rules) had any interests in relation to the Company which is required to be notified to the Company pursuant to the Main Board Listing Rules.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has applied the code provisions as set out in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Main Board Listing Rules. Save as disclosed in this report, the Company has complied with all the code provisions set out in the respective codes from the date of Listing to the date of this 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.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance in relation to the Group's business in which the Company, any of its subsidiaries, fellow subsidiaries or its parent company 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.

AUDITOR

A resolution will be submitted to the forthcoming Annual General Meeting to reappoint BDO Limited as auditor of the Company until the conclusion of the next annual general meeting.

REVIEW BY AUDIT COMMITTEE

The audit committee has reviewed the audited annual results of the Company for the year ended 31 December 2020 and made recommendations and advice.

By order of the Board

Zhang Yan

Chairman

Hong Kong, 30 March 2021

INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF FIRE ROCK HOLDINGS LIMITED

火岩控股有限公司

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Fire Rock Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 90 to 142, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2020 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 (“HKSA”) 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.

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



INDEPENDENT AUDITOR'S REPORT

Impairment assessment of intangible assets

(Refer to Note 16 to the consolidated financial statements and the Group's critical accounting judgements and key sources of estimation uncertainty in relation to impairment of intangible assets set out in Note 5(ii))

The carrying values of the Group's intangible assets as at 31 December 2020 were RMB39,843,105. Management has performed an impairment review in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". The recoverable amounts are determined based on value in use calculations, which involved significant assumptions and judgements made by management concerning the estimated future cash flows and the discount rate applied to future cash flow forecast.

Our response:

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

- Checking the mathematical accuracy of the value in use calculations;
- Discussing with senior management to understand the cash flow projection and key assumptions;
- Assessing the reasonableness of key assumptions for:
 - growth rate based on our knowledge of the business and industry and by considering the historical performance achieved;
 - discount rate used in the calculations based on the market data and research; and
- Performing sensitivity analysis including assessing the effect of a reasonably possible change in discount rate.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's 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.



INDEPENDENT AUDITOR'S REPORT

DIRECTORS' RESPONSIBILITIES 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 Hong Kong Financial Reporting Standards 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.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our 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 HKSAs 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 HKSAs, 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.



INDEPENDENT AUDITOR'S REPORT

- 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.

We communicate with the Audit Committee 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 the Audit Committee 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 the directors, 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.

BDO Limited

Certified Public Accountants

Leung Tze Wai
Practising Certificate Number P06158

Hong Kong, 30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB	2019 RMB
Revenue	7	520,890,363	303,978,018
Direct costs		(40,894,560)	(19,777,680)
Gross profit		479,995,803	284,200,338
Other income	7	12,175,613	4,881,336
Research costs		(228,791)	(583,792)
Distribution costs		(33,688,389)	(7,209,045)
Administrative expenses		(38,828,863)	(27,285,068)
Finance costs	8	(396,206)	(362,815)
Operating profit		419,029,167	253,640,954
Share of loss of investment accounted for using equity accounting		—	(176,591)
Profit before income tax	9	419,029,167	253,464,363
Income tax expense	10	(74,116,835)	(44,664,820)
Profit for the year		344,912,332	208,799,543
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
— Exchange differences on translation of foreign operations		(14,769,643)	3,368,540
— Exchange differences reclassified to profit or loss upon disposal of investment accounted for using equity method		—	15,503
Other comprehensive income for the year		(14,769,643)	3,384,043
Total comprehensive income for the year		330,142,689	212,183,586
Profit attributable to:			
Owners of the Company		343,214,304	208,789,246
Non-controlling interests		1,698,028	10,297
		344,912,332	208,799,543
Total comprehensive income attributable to:			
Owners of the Company		328,447,603	212,176,496
Non-controlling interests		1,695,086	7,090
		330,142,689	212,183,586
		RMB cents	<i>RMB cents (Restated)</i>
Earnings per share			
Basic and diluted	12	35.75	21.75

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB	2019 RMB
Non-current assets			
Property, plant and equipment	15	5,707,986	5,636,036
Intangible assets	16	39,843,105	19,381,004
Right-of-use assets	17	7,452,773	9,492,211
Deposits		432,775	—
		53,436,639	34,509,251
Current assets			
Trade receivables	18	92,913,924	140,513,173
Prepayment, deposits and other receivables		1,633,245	5,663,418
Short-term bank deposits	19	20,000,000	100,609,632
Cash and cash equivalents	19	596,147,969	147,891,166
		710,695,138	394,677,389
Current liabilities			
Lease liabilities	17	2,234,552	2,668,934
Trade and other payables	20	25,957,644	15,906,407
Deferred revenue	21	134,510	139,559
Dividends payable		1,436,048	—
Tax payable		9,813,288	311,741
		39,576,042	19,026,641
Net current assets		671,119,096	375,650,748
Total assets less current liabilities		724,555,735	410,159,999
Non-current liabilities			
Lease liabilities	17	5,651,248	7,070,751
Deferred tax liabilities	22	30,600,000	19,000,000
		36,251,248	26,070,751
Net assets		688,304,487	384,089,248
Equity			
Share capital	23	2,669,060	2,669,060
Reserves	24	684,212,476	381,692,323
Total equity attributable to owners of the Company		686,881,536	384,361,383
Non-controlling interests		1,422,951	(272,135)
Total equity		688,304,487	384,089,248

On behalf of the board of directors

Su Yi
Director

Zhou Kun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company										
	Share capital	Share premium*	Capital reserve*	Merger reserve*	Statutory reserve*	Share-based payment reserve*	Foreign exchange reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
At 1 January 2019	2,669,060	35,021,914	11,201,260	10,000,000	12,500,000	342,503	2,177,480	118,282,116	192,194,333	(35,389)	192,158,944
Profit for the year	–	–	–	–	–	–	–	208,789,246	208,789,246	10,297	208,799,543
Other comprehensive income for the year:											
– Exchange differences on translation of foreign operations	–	–	–	–	–	–	3,371,747	–	3,371,747	(3,207)	3,368,540
– Exchange differences reclassified to profit or loss upon disposal of investment accounted for using equity method	–	–	–	–	–	–	15,503	–	15,503	–	15,503
Total comprehensive income for the year	–	–	–	–	–	–	3,387,250	208,789,246	212,176,496	7,090	212,183,586
Dividends	–	–	–	–	–	–	–	(21,498,720)	(21,498,720)	–	(21,498,720)
Appropriation to statutory reserve (Note 24(d))	–	–	–	–	333,719	–	–	(333,719)	–	–	–
Non-controlling interests arising on capital injection of a non wholly-owned subsidiary	–	–	–	–	–	–	–	–	–	7,760	7,760
Equity-settled share-based transactions (Note 25)	–	–	–	–	–	942,499	–	–	942,499	–	942,499
Deemed disposal of partial interest in a subsidiary without losing control (Note 28)	–	–	–	–	–	–	–	546,775	546,775	(251,596)	295,179
At 31 December 2019	2,669,060	35,021,914	11,201,260	10,000,000	12,833,719	1,285,002	5,564,730	305,785,698	384,361,383	(272,135)	384,089,248
At 1 January 2020	2,669,060	35,021,914	11,201,260	10,000,000	12,833,719	1,285,002	5,564,730	305,785,698	384,361,383	(272,135)	384,089,248
Profit for the year	–	–	–	–	–	–	–	343,214,304	343,214,304	1,698,028	344,912,332
Other comprehensive income for the year:											
– Exchange differences on translation of foreign operations	–	–	–	–	–	–	(14,766,701)	–	(14,766,701)	(2,942)	(14,769,643)
Total comprehensive income for the year	–	–	–	–	–	–	(14,766,701)	343,214,304	328,447,603	1,695,086	330,142,689
Dividends	–	–	–	–	–	–	–	(26,873,400)	(26,873,400)	–	(26,873,400)
Appropriation to statutory reserve (Note 24(d))	–	–	–	–	569,090	–	–	(569,090)	–	–	–
Equity-settled share-based transactions (Note 25)	–	–	–	–	–	945,950	–	–	945,950	–	945,950
At 31 December 2020	2,669,060	35,021,914	11,201,260	10,000,000	13,402,809	2,230,952	(9,201,971)	621,557,512	686,881,536	1,422,951	688,304,487

* The aggregate balances of these reserve amounts of RMB684,212,476 and RMB381,692,323 are included as reserves as at 31 December 2020 and 2019 respectively in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB	2019 RMB
Cash flows from operating activities		
Profit before income tax	419,029,167	253,464,363
Adjustments for:		
Amortisation of intangible assets	6,702,811	4,879,006
Write-off of intangible assets	2,589,356	—
Depreciation of property, plant and equipment	2,250,250	847,992
Depreciation of right-of-use assets	2,311,523	2,592,536
Termination of a lease	127,025	—
Interest income	(6,382,610)	(1,779,275)
Finance costs	396,206	362,815
Loss on disposal of property, plant and equipment	61,823	—
Share-based payment expenses	945,950	942,499
COVID-19-related rent concessions	(509,368)	—
Gain on disposal of investments accounted for using equity method	—	(792,047)
Share of loss of investment accounted for using equity method	—	176,591
Operating profit before working capital changes	427,522,133	260,694,480
Decrease/(Increase) in trade receivables	47,397,708	(76,221,494)
Decrease/(Increase) in prepayments, deposits and other receivables	3,754,562	(1,672,151)
Increase in trade and other payables	10,438,070	10,675,873
Increase/(Decrease) in deferred revenue	3,933	(874,960)
Cash generated from operating activities	489,116,406	192,601,748
Interest paid	—	(362,815)
Tax paid	(53,329,058)	(40,382,225)
Net cash generated from operating activities	435,787,348	151,856,708
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	5,100	—
Interest received	6,382,610	1,779,275
Additions of intangible assets	(29,754,268)	(16,657,848)
Decrease/(Increase) in short-term bank deposits	80,609,632	(100,609,632)
Purchases of property, plant and equipment	(2,398,846)	(4,965,746)
Net cash generated from/(used in) investing activities	54,844,228	(120,453,951)
Cash flows from financing activities		
Dividends paid	(25,145,787)	(21,120,560)
Repayments of principal portion of lease liabilities	(1,742,751)	(2,345,366)
Repayments of interest portion of lease liabilities	(396,206)	—
Capital injection of a non-wholly owned subsidiary	—	387,981
Net cash used in financing activities	(27,284,744)	(23,077,945)
Net increase in cash and cash equivalents	463,346,832	8,324,812
Cash and cash equivalents at beginning of the year	147,891,166	136,782,849
Effect of foreign exchange rate changes	(15,090,029)	2,783,505
Cash and cash equivalents at end of the year	596,147,969	147,891,166
Analysis of cash and cash equivalents		
Cash at banks and on hand	119,196,547	123,579,832
Short-term bank deposits with original maturity of less than three months	476,951,422	24,311,334
	596,147,969	147,891,166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

1. GENERAL INFORMATION

Fire Rock Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 3 November 2014. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at 9th Floor, Block 1, Chongwen Garden, Nanshan IPark, 3370 Liuxian Avenue, Nanshan District, Shenzhen, Guangdong, the People’s Republic of China (the “PRC”).

The Company is an investment holding company. The Company and its subsidiaries (collectively the “Group”) are principally engaged in the development of browser games and mobile games (including design, programming and graphics) and licensing of its games in the PRC and overseas markets as well as self-operating its games in overseas markets. In addition, the Group develops software and licenses its software to business partners.

The consolidated financial statements for the year ended 31 December 2020 were approved and authorised for issue by the board of directors on 30 March 2021.

2. ADOPTION OF HKFRSs

(a) Adoption of new or revised HKFRSs — effective 1 January 2020

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39, HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	COVID-19-Related Rent Concessions (early adopted)

The adoption of these new or revised HKFRSs has no impact on these consolidated financial statements. The Group has not early applied any new or amended HKFRSs that is not yet effective for the financial period except for the amendment to HKFRS 16, COVID-19-Related Rent Concessions. Impact on the application is summarised below.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

2. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new or revised HKFRSs — effective 1 January 2020 (Continued)

Amendment to HKFRS 16, COVID-19-Related Rent Concessions (Continued)

Rent concession that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. The Group shall apply other requirement of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The amendment is effective for financial periods beginning on or after 1 June 2020. The Group has early applied the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. During the year ended 31 December 2020, the Group recognised COVID-19-related rent concessions of RMB509,368 as other income (Note 7). As the rent concessions have arisen only during the current financial period, there is no retrospective adjustment to the opening balance of retained profits at 1 January 2020 on initial application of the amendment.

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

The following new or revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 39, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to HKFRS 9 Financial Instruments and Amendment to illustrative examples accompanying HKFRS 16 Leases ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁴

¹ Effective for annual periods beginning on or after 1 January 2021

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

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

2. ADOPTION OF HKFRSs (Continued)

(b) New or revised HKFRSs that have been issued but are not yet effective (Continued)

The Group has already commenced an assessment of the impact of adopting the above standards and amendments in the period upon application. The directors expect that the adoption of them is unlikely to have a material impact on the consolidated financial statements of the Group.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and interpretations (hereinafter collectively referred to as the “HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

(b) Basis of measurement

The consolidated financial statements have been prepared under historical costs basis. The measurement bases are fully described in the accounting policies in Note 4.

(c) Functional and presentation currency

The functional currency of the Company is Hong Kong dollars (“HKD”). However, the consolidated financial statements are presented in Renminbi (“RMB”) instead of its functional currency as RMB is the principal currency of the economic environment on which the Group operates.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) *Subsidiaries (Continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Office equipment	1 to 5 years
Furniture and fixtures	5 years
Leasehold improvement	Over the lease term

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount (Note 4(l)).

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Intangible assets

(i) Game and software intellectual properties

Game and software intellectual properties are initially recorded at cost and included internally generated intangible assets (i.e. capitalised development costs as detailed in Note 4(d)(ii) below) that are available for use. These intangible assets are amortised on a straight-line basis over their license periods or estimated useful lives of respective game and software intellectual properties.

(ii) Research and development costs

Costs associated with research activities are expensed in profit or loss as incurred. Costs that are directly attributable to development activities (relating to the design and testing of new or improved products controlled by the Group) are recognised as intangible assets provided that they meet the following recognition requirements:

- (1) demonstration of technical feasibility of completing the prospective product for internal use or sale;
- (2) there is intention to complete the intangible asset and use or sell it;
- (3) the Group's ability to use or sell the intangible asset is demonstrated;
- (4) how the intangible asset will generate future economic benefits through internal use or sale;
- (5) sufficient technical, financial and other resources are available for completion and to use or sell the intangible asset; and
- (6) the expenditure attributable to the intangible asset during its development can be reliably measured.

As mentioned in note (i) above, capitalised development costs are transferred to game and software intellectual properties for amortisation when the intangible assets are available for use. The Group initially determines the useful lives of its game and software intellectual properties based on the contracted period of license granted to the Group's licensed operators (the "Licensed Operators") which is normally 2 years for games and 3 years for software and subsequently reviews the estimated useful lives on a periodic basis. The useful lives of particular game and software intellectual properties will be extended if that game and software intellectual properties are popular resulting in extension of the contract period in the existing licensing agreements, or more licensing agreements being agreed with the Licensed Operators.

Development expenditure not satisfying the above criteria and expenditure on the research phase of the projects are recognised in profit or loss as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leasing

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for which at the commencement date have a lease term of 12 months or less. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

(i) Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease. The Group measures the right-of-use assets applying a cost model. Under cost model, the right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

(ii) Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Rent concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient as detailed in Note 2(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) *Financial instruments*

(i) **Financial assets**

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) **Impairment loss on financial assets**

The Group has elected to measure loss allowances for trade receivables using the simplified approach in HKFRS 9 “Financial Instruments” (“HKFRS 9”) and has calculated expected credit losses (“ECLs”) based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired or a default event occur when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) *Financial instruments (Continued)*

(ii) **Impairment loss on financial assets (Continued)**

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

The gross carrying amount of a financial asset is written off to the extent that there is no reasonable expectation of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(iii) **Financial liabilities**

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and lease liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) **Derecognition**

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Revenue recognition

The Group is principally engaged in the development and operation of self-developed browser and mobile games and provision of software licensing services.

(a) License fees and Royalties

The Group's revenue is mainly derived from granting the exclusive and non-exclusive rights of the self-developed games to the Licensed Operators and sharing of game revenue with the Group's Licensed Operators ("License fees and Royalties").

The Group's self-developed browser and mobile games are designed under free-to-play model. These games are operated directly by the Licensed Operators on their own platforms as well as third party internet platforms, subject to the contractual terms agreed with them. Moreover, the Licensed Operators are responsible for hosting the games, providing customers' services to game players, determining the selling price of the in-game token, selection of distribution and payment channels and preventing, detecting and resolving cheating and hacking activities. The Group has evaluated and determined that it is not the primary obligor in the rendering services to game players. Accordingly, the Group considers that the Licensed Operators as their customers and the License fees and Royalties reported in the consolidated financial statements are net of taxes and related surcharges.

The Group receives License fees and Royalties from the Licensed Operators for the provision of the license to operate the game. License fees represented the upfront fee from its Licensed Operators in exchange for exclusive operating rights of the Group's self-developed games in certain regions and providing related technical support. License fees is recognised in profit or loss over the time that granting the right to the License Operators to operate the Group's self-developed games within the contracted period. Royalties is recognised in profit or loss at the point in time and calculated monthly based on a pre-determined percentage of net sales of credits of the Licensed Operators which have been exchanged into in-game tokens purchased through platforms designated by the Licensed Operators and typically unaffected by the marketing discounts on the prices of credits offered by the Licensed Operators. On the other hand, the Group can access in-game accounts for the data of game player's purchase activity to estimate the royalties which is recognised when the Licensed Operators confirm their sales activities for the period.

(b) Game operation income

The Group operates self-developed mobile games under free-to-play model. Game players can purchase game credits which are virtual currency for acquisition of in-game virtual items for better in-game experience. The Group sells prepaid game credits through cooperation with various third party game distribution platforms and payment channels. These game distribution platforms, include major online application stores such as Google Play, and payment channels are entitled to services fees which are withheld and deducted from the gross proceeds collected from players, with the net amounts remitted to the Group. These service fee are commonly referred to as channel costs. The Group recognises revenue on a gross basis given it is the principal in these transactions, and records the channel costs under cost of revenue in the consolidated statement of profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Revenue recognition (Continued)

(b) Game operation income (Continued)

The Group has evaluated the respective roles and responsibilities of the Group, third-party distribution platforms and third-party payment channels in the delivery of game experiences to the paying players ("Paying Players") in determining if the Group is acting as principal or as an agent in the arrangement. The Group is responsible for the hosting the self-developed games, providing customers' services to game players, determining the selling price of the in-game token, selection of distribution and payment channels and preventing, detecting and resolving cheating and hacking activities. The Group has evaluated and determined that it is the primary obligor in the rendering services to game players. Accordingly, the Group considers that the Paying Players as their customers and the game operation income reported in the consolidated financial statements are on gross basis. Service charges by third-party distribution platforms and third-party payment channels are recorded as direct costs. Third-party distribution platforms and third-party payment channels collect the payment from the Paying Players and remit the cash net of commission charges which are pre-determined according to the relevant terms entered into between the Group and the third-party distribution platforms or third-party payment channels.

Upon the sales of game credits or in-game virtual items, the Group typically has an implied obligation to provide the services which enable the game credits or in-game virtual items to be displayed, used or converted into other in-game virtual currencies/items in the games. As a result, the proceeds received from sales of game credits or in-game virtual items are initially recorded as deferred revenue, which was accounted for as contract liabilities. The attributable portion of the deferred revenue relating to values of the game credits consumed and in-game virtual items converted are recognised as revenue upon the consumption of game credits and virtual items by Paying Players.

(c) Software licensing services

The software licensing services represent the provision of license of the Group's self-developed software within a specific period of time, customisation to interface with customers' data sources together with unspecific modification, upgrade or update in accordance with the customers' requirement throughout the contract period. The software launched to customers are either for internal use on subscription basis or as a component of mobile games for deployment to the market.

The Groups determines that the unspecific modification, upgrade, or updates are critical to the continued utility of the software and the customer's ability to benefit from the software will decline significantly without the unspecific modification to software based on market response to the enterprises' games. Therefore, the software license over the contract period, customisation and unspecific modification services are not distinct from each other and is identified as one performance obligation.

Some contracts of software licensing services contains extra billing when the usage of the software exceed certain limit, which give raise to variable consideration. The Group estimates the volume of consumption at contract inception and constrained until the associated uncertainty is subsequently resolved.



NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

31 December 2020

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Revenue recognition (Continued)

(c) Software licensing services (Continued)

Revenue from the software licensing services is billed monthly and recognised ratably over the period in which the services are provided.

(d) Interest income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(h) Cash and cash equivalents and short-term bank deposits

Cash and cash equivalents comprise cash on hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and are subject to an insignificant risks of change in value. Short-term deposits comprise deposits with banks with original maturities of more than three months.

(i) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they related to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. 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 translation 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 Company and certain subsidiaries are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve.

(k) Employee benefits

(i) Retirement benefit costs

The employees of the Group’s subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of employees’ salaries to the central pension scheme.

Contributions are recognised as an expense in profit or loss when the services are rendered by the employees. The Group’s obligations under these plans are limited to the fixed percentage contributions payable.

(ii) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Share award scheme

All services received in exchange for the grant of any awarded shares are measured at fair value. These are indirectly determined by reference to the fair value of the awarded shares granted. Its value is appraised at the grant date and expense is recognised over the vesting period. The major shareholder of the Company gave their shares of the Company to eligible staffs. These shares were transferred to the eligible staffs on the grant date and were held under the custody of an independent financial institution.



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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(m) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(n) Provisions and contingent liabilities

Provisions are stated at amortised cost and recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of the group of which it is a part, provides key management personnel services to the Group or the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.



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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, 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 associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

In addition to information disclosed elsewhere in this consolidated financial statements, other key sources of estimation uncertainty that have significant risks of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Estimated useful lives of property, plant and equipment and intangible assets

The Group's management determines the useful lives and the related depreciation or amortisation charges for its property, plant and equipment and intangible assets. The estimates are based on the historical experience of the actual useful lives of those assets of similar nature and functions. Management will increase the depreciation or amortisation charges where useful lives are subsequently assessed to be less than previously estimated lives. It will write off or write down the technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from the estimated useful lives. Periodic review could result in a change in depreciable or amortisable lives and therefore affect the depreciation or amortisation charges in future periods.

As mentioned in Note 4(d)(ii), the Group initially determines the useful lives of its game and software intellectual properties based on the contracted period of license granted to the Group's Licensed Operators which is normally 2 years for games and 3 years for software and subsequently reviews the estimated useful lives on a periodic basis.

The useful lives of particular game and software intellectual properties will be extended if that game and software intellectual properties are popular resulting in extension of the contract period in the existing licensing agreements, or more licensing agreements being agreed with the Licensed Operators.

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

(ii) Impairment of intangible assets

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value in use and fair value less costs of disposal. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (a) whether an event has occurred that may indicate that the related asset values may not be recoverable; (b) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (c) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

(iii) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for property, plant and equipment at the end of each reporting period. The property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposal of the asset. When value in use calculation is undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(iv) Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for grouping of various customers that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the game and software development sector, the historical default are adjusted. At the end of each reporting period, the historical observed default rates are updated and changes in forward-looking estimates are analysed.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(iv) Provision for expected credit losses of trade receivables (Continued)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' default in the future.

(v) Income taxes

The Group is subject to income taxes in the PRC and Thailand. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current tax liabilities in the period in which such determination is made.

Certain subsidiaries of the Group were each entitled to a preferential enterprise income tax rate for a specified period subject to certain conditions. Management generally applies the applicable preferential tax rate to calculate current income tax (Note 10) on the assumption that the subsidiaries will meet the conditions and qualify for the preferential treatment. The consequence of any failure to meet the conditions and any change in the applicable tax rate is adjusted in the year in which the information becomes known.

(vi) Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implication a lease, and therefore, it uses an incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiaries' stand-alone credit rating).

6. SEGMENT INFORMATION

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision makers that are used to make strategic decisions.

For the years ended 31 December 2020 and 2019, the Group has two reportable segments. These segments are managed separately as each business offers different products and services which require different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Game and software development — Software, browser and mobile games development and software licensing services for earning License fees and Royalties from the Licensed Operators and business partners
- Game operation — Mobile game operation for earning game operation income

	2020 RMB	2019 RMB
Revenue from contracts with customers:		
Game and software development	455,620,890	290,894,940
Game operation	65,269,473	13,083,078
	520,890,363	303,978,018

Certain corporate expenses, mainly including director fees and professional fees, and interest income, are not allocated to the operating segments as they are not included in the measure of the segment's profit that is used by the chief operating decision-makers for assessment of segment performance.

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6. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

Information regarding the Group's reportable segments for the years ended 31 December 2020 and 2019 are set out below.

	For the year ended 31 December 2020		
	Game and software development RMB	Game operation RMB	Total RMB
Revenue from external customers	456,170,890	65,269,473	521,440,363
Inter-segment revenue	(550,000)	—	(550,000)
Reportable segment revenue	455,620,890	65,269,473	520,890,363
Reportable segment profit	416,593,938	8,565,513	425,159,451
Interest income	5,873,850	7,606	5,881,456
Government grants	2,071,800	—	2,071,800
Finance costs	389,581	6,625	396,206
Depreciation and amortisation	11,072,574	192,010	11,264,584
Write-off of intangible assets	2,589,356	—	2,589,356
Income tax expense	72,824,621	1,292,214	74,116,835
Reportable segment assets	682,440,777	14,294,414	696,735,191
Reportable segment liabilities	62,886,781	8,585,606	71,472,387
Additions to non-current assets	32,036,461	961,889	32,998,350

	For the year ended 31 December 2019		
	Game and software development RMB	Game operation RMB	Total RMB
Revenue from external customers	291,094,940	13,083,078	304,178,018
Inter-segment revenue	(200,000)	—	(200,000)
Reportable segment revenue	290,894,940	13,083,078	303,978,018
Reportable segment profit	260,786,731	703,742	261,490,473
Interest income	1,555,538	6,972	1,562,510
Government grants	1,705,200	—	1,705,200
Finance costs	333,285	29,530	362,815
Depreciation and amortisation	8,134,336	185,198	8,319,534
Income tax expense	44,664,820	—	44,664,820
Reportable segment assets	418,799,036	6,979,677	425,778,713
Reportable segment liabilities	41,629,852	2,457,184	44,087,036
Additions to non-current assets	30,912,532	86,833	30,999,365

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6. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities:

	2020 RMB	2019 RMB
<i>Profit before income tax</i>		
Reportable segment profit	425,159,451	261,490,473
Interest income	501,154	216,765
Unallocated corporate expenses	(6,631,438)	(8,242,875)
Consolidated profit before income tax	419,029,167	253,464,363
<i>Assets</i>		
Reportable segment assets	696,735,191	425,778,713
Unallocated corporate assets	67,396,586	3,407,927
Consolidated total assets	764,131,777	429,186,640
<i>Liabilities</i>		
Reportable segment liabilities	71,472,387	44,087,036
Unallocated corporate liabilities	4,354,903	1,010,356
Consolidated total liabilities	75,827,290	45,097,392

(b) Disaggregation of revenue from contracts with customers by geographic market and timing of revenue

The Company is an investment holding company incorporated in the Cayman Islands and the principal place of the Group's operation is the PRC. Accordingly, management determines that the Group is domiciled in the PRC.

In the following table, revenue is disaggregated by primary geographical market and the timing of revenue recognition.

	2020 RMB	2019 RMB
Primary geographical markets*		
The PRC (place of domicile)	454,693,900	289,846,405
Asia Pacific	65,422,499	13,489,854
Europe	773,964	620,065
North America	—	21,694
	520,890,363	303,978,018

* Based on the location of Licensed Operators and game operation.

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6. SEGMENT INFORMATION (Continued)

(b) Disaggregation of revenue from contracts with customers by geographic market and timing of revenue (Continued)

	2020 RMB	2019 RMB
Timing of revenue recognition		
Over time	22,552,830	4,357,805
At a point in time	498,337,533	299,620,213
	520,890,363	303,978,018

The Group's non-current assets by geographical location of the assets are detailed below:

	2020 RMB	2019 RMB
Non-current assets		
The PRC	52,170,656	33,639,734
Thailand	1,075,853	258,956
Hong Kong	190,130	610,561
	53,436,639	34,509,251

(c) Information about major Licensed Operators

Revenue earned from major Licensed Operators, each of them accounted for 10% or more of the Group's revenue, are set out below:

	2020 RMB	2019 RMB
Licensed Operator A	363,957,724	219,000,319
Licensed Operator B	82,245,246	49,756,142
	446,202,970	268,756,461

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7. REVENUE AND OTHER INCOME

	2020 RMB	2019 RMB
Revenue		
License fees and Royalties	433,068,060	287,353,431
Game operation income	65,269,473	13,083,078
Software licensing service	22,552,830	3,541,509
	520,890,363	303,978,018
Other income		
Government grants (<i>Note</i>)	2,071,800	1,705,200
Interest income	6,382,610	1,779,275
COVID-19-related rent concessions received	509,368	—
Gain on disposal of investment accounted for using equity method	—	792,047
Others	3,211,835	604,814
	12,175,613	4,881,336

Note:

During the year ended 31 December 2020, the Group received grants from the PRC government for awarding the contribution to economic growth and technology development amounting to RMB1,769,800 (2019: RMB700,000) and RMB302,000 (2019: RMB454,700) respectively. During the year ended 31 December 2019, the Group also received grants from the PRC government for subsidising the operating lease rentals of office premises and copyright registration of self-developed games amounting RMB508,000 and RMB42,500 respectively. There are no unfulfilled conditions or contingencies relating to these grants.

8. FINANCE COSTS

	2020 RMB	2019 RMB
Interest on lease liabilities	396,206	362,815

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9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2020 RMB	2019 RMB
Auditors' remuneration	675,442	643,065
Amortisation of intangible assets*	6,702,811	4,879,006
Write-off of intangible assets	2,589,356	—
Depreciation of property, plant and equipment**	2,250,250	847,992
Depreciation of right-of-use assets**	2,311,523	2,592,536
Termination of a lease	127,025	—
Loss on disposal of property, plant and equipment	61,823	—
Short-term leases expenses	258,021	160,866
Legal and professional fees	6,096,564	6,784,511
Exchange loss, net	4,262,372	540,939

* Included in direct costs in the consolidated statement of profit or loss and other comprehensive income

** Included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income

10. INCOME TAX EXPENSE

	2020 RMB	2019 RMB
Current year — PRC Enterprise Income Tax ("EIT")		
— Tax for the year	42,356,539	25,946,920
— Over-provision in respect of prior years	(131,918)	(282,100)
— Withholding tax on dividends	19,000,000	8,900,000
Current year — Thailand Corporate Income Tax ("CIT")		
— Tax for the year	1,292,214	—
	62,516,835	34,564,820
Deferred tax (Note 22)	11,600,000	10,100,000
	74,116,835	44,664,820

No Hong Kong Profits Tax was provided in the consolidated financial statements as the Group has no estimated assessable profits derived from or arising in Hong Kong during the years ended 31 December 2020 and 2019.

Provision for the EIT in the PRC is calculated at the applicable rate of 25% in accordance with the relevant laws and regulation in the PRC.

10. INCOME TAX EXPENSE (Continued)

For the year ended 31 December 2019, Shenzhen Fire Element Network Technology Company Limited (“Shenzhen Fire Element”), one of the subsidiaries of the Company, qualified as a “National Important Software Enterprise (“NISE”) and was entitled to a preferential tax rate of 10%. According to the tax law Caishui (2016) No.49 jointly issued by the Ministry of Finance of the PRC and other government authorities, an entity can register for the NISE in tax bureau if the entity complies with relevant requirement when filing the quarterly tax return. Based on management’s assessment, Shenzhen Fire Element met those requirements in 2020. Therefore, a preferential corporate income tax rate of 10% was estimated to be applied by Shenzhen Fire Element for the year ended 31 December 2020 (2019: 10%). The application of preferential tax rate as explained above is after the assumption and estimates made by the management of the Group (Note 5(v)).

For the years ended 31 December 2020 and 2019, Shenzhen Fire Element Network Science and Technology Company Limited, another subsidiary incorporated in the PRC, was eligible to be classified as small enterprise by the local bureau and assessable profits are taxed at progressive rate. The first RMB1,000,000 assessable profits is taxed at 5% and assessable profits above RMB1,000,000 but less than RMB3,000,000 is taxed at 10%.

Firerock Co., Ltd. (“Firerock”) is a subsidiary incorporated in Thailand and its assessable profits are taxed at 20% for the year ended 31 December 2020. No Thailand CIT was provided for the year ended 31 December 2019 as the Group has sufficient tax losses brought forward to offset against the estimated assessable profits for 2019.

Pursuant to the PRC EIT Law, 10% withholding tax (unless reduced by tax treaties/arrangements) is levied on dividends declared to foreign investors from the foreign investment enterprise established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007.

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

	2020 RMB	2019 RMB
Profit before income tax	419,029,167	253,464,363
Tax on profit before income tax, calculated at the applicable tax rate of 25%	104,757,292	63,366,091
Effect on different tax rates of foreign operations	735,897	840,094
Tax effect of non-deductible expenses for tax purpose	3,049,793	1,681,424
Tax effect of non-taxable income for tax purpose	(292,785)	(171,054)
Effect of preferential tax rates granted to the subsidiaries operated in the PRC	(64,402,980)	(39,875,636)
Tax effect of utilisation of tax losses previously not recognised	(406,162)	(142,917)
Tax effect of tax losses not recognised	207,698	248,918
Withholding tax on dividends	30,600,000	19,000,000
Over provision in respect of prior years	(131,918)	(282,100)
Income tax expense	74,116,835	44,664,820

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11. DIVIDENDS

On 17 April 2020, the Company declared a final dividend for 2019, in form of HKD30.0 million (equivalent to approximately RMB26.4 million) in cash (or HKD0.09375 (equivalent to approximately RMB0.0825) per share).

Subsequent to the end of the reporting period, a final dividend, in the form of a cash dividend of HKD0.05208 per share (equivalent to approximately RMB0.0438 per share) in respect of the year ended 31 December 2020 has been proposed by the board of directors and is subject to approval by the shareholders in the forthcoming annual general meeting. The proposed final dividends have not been recognised as a liability in the Group's consolidated financial statements. Reference is made to the announcement of the Company dated 30 March 2021 in relation to, among other things, the proposed subdivision of each of the existing issued and unissued shares of one third Hong Kong cent each in the share capital of the Company into four (4) subdivided shares of par value of one twelfth Hong Kong cent each. If the share subdivision becomes effective prior to the payment of the final dividend, the final dividend will be a cash dividend of HKD0.01302 (equivalent to approximately RMB0.01095) per subdivided share.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB343,214,304 (2019: RMB208,789,246) and the weighted average number of 960,000,000 ordinary shares (2019: 960,000,000) in issue during the year. The weighted average number of ordinary shares used in the calculation of earnings per share for the years ended 31 December 2020 and 2019 has been adjusted to reflect the share subdivision (Note 23) which has been completed on 19 August 2020.

Diluted earnings per share are same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2020 and 2019.

13. STAFF COSTS

	2020 RMB	2019 RMB
Staff costs (including directors' emoluments (Note 14(a)) comprise:		
Salaries, allowances and benefits in kind	19,458,573	20,048,123
Contributions to defined retirement pension scheme	1,276,755	1,580,115
Share-based payment expenses (Note 25)	945,950	942,499
	21,681,278	22,570,737

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14. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments of the directors are set out below:

Year ended 31 December 2020

	Fees RMB	Salaries, allowances and benefits in kind RMB	Contributions to defined retirement pension scheme RMB	Discretionary bonus RMB	Share- based payment expenses RMB	Total RMB
<i>Executive directors</i>						
Mr. Huang Yong	—	484,500	6,718	238,000	—	729,218
Mr. Zhou Kun (<i>appointed on 10 August 2020</i>)	—	220,500	2,780	241,111	61,015	525,406
Mr. Su Yi (<i>appointed on 14 October 2020</i>)	—	128,563	1,489	129,542	—	259,594
Mr. Wu Zhe (<i>resigned on 10 August 2020</i>)	—	187,000	3,946	—	—	190,946
Mr. Rao Zhen Wu (<i>resigned on 10 August 2020</i>)	—	187,000	3,974	—	—	190,974
<i>Non-executive directors</i>						
Mr. Zhang Yan	—	306,000	6,718	24,000	—	336,718
Ms. Yang Kan	159,973	—	—	—	—	159,973
<i>Independent Non-executive directors</i>						
Mr. Chan King Fai	159,973	—	—	—	—	159,973
Mr. Chen Di	159,973	—	—	—	—	159,973
Mr. Yang Zhen	159,973	—	—	—	—	159,973
Total	639,892	1,513,563	25,625	632,653	61,015	2,872,748

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**14. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS
(Continued)**

(a) Directors' emoluments (Continued)

Year ended 31 December 2019

	Fees <i>RMB</i>	Salaries, allowances and benefits in kind <i>RMB</i>	Contributions to defined retirement pension scheme <i>RMB</i>	Discretionary bonus <i>RMB</i>	Total <i>RMB</i>
<i>Executive directors</i>					
Mr. Huang Yong	—	403,201	11,686	362,000	776,887
Mr. Wu Zhe	—	312,204	11,326	48,000	371,530
Mr. Rao Zhen Wu	—	312,230	11,686	48,000	371,916
<i>Non-executive directors</i>					
Mr. Zhang Yan	—	312,230	11,686	48,000	371,916
Ms. Yang Kan	158,404	—	—	—	158,404
<i>Independent Non-executive directors</i>					
Mr. Chan King Fai	158,404	—	—	—	158,404
Mr. He Yunpeng (<i>resigned on 26 August 2019</i>)	—	—	—	—	—
Mr. Chen Di	158,404	—	—	—	158,404
Mr. Yang Zhen (<i>appointed on 26 August 2019</i>)	66,002	—	—	—	66,002
Total	541,214	1,339,865	46,384	506,000	2,433,463

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**14. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS
(Continued)**

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2019: one) is the director of the Company whose emoluments are included in the analysis presented above. The emoluments of the remaining four (2019: four) highest paid individuals during the years ended 31 December 2020 and 2019 are as follows:

	2020 <i>RMB</i>	2019 <i>RMB</i>
Salaries, allowances and benefits in kind	2,145,420	1,731,723
Discretionary bonus	1,655,833	1,169,000
Share-based payment expenses	194,551	345,171
Contributions to defined contribution retirement plans	26,811	46,384
	4,022,615	3,292,278

Their emoluments fell within the following bands:

	2020 <i>No. of individuals</i>	2019 <i>No. of individuals</i>
Nil — HKD1,000,000	1	4
HKD1,000,001 — HKD1,500,000	3	—

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to the directors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no directors waived or agreed to waive any emoluments during the year ended 31 December 2020.

During the year ended 31 December 2019, Mr. He Yunpeng waived the emoluments of HKD120,000 (equivalent to approximately RMB105,603) as an independent non-executive director of the Company.

(c) Senior management

Emoluments paid or payable to members of senior management who are not directors were within the following bands:

	2020 <i>No. of individuals</i>	2019 <i>No. of individuals</i>
Nil — HKD1,000,000	2	3
HKD1,000,001 — HKD1,500,000	1	—

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15. PROPERTY, PLANT AND EQUIPMENT

	Office equipment <i>RMB</i>	Furniture and fixtures <i>RMB</i>	Leasehold improvement <i>RMB</i>	Total <i>RMB</i>
Cost				
At 1 January 2019	4,145,894	160,411	466,744	4,773,049
Additions	1,230,335	20,705	3,714,706	4,965,746
Exchange alignment	14,295	1,545	5,402	21,242
At 31 December 2019 and 1 January 2020	5,390,524	182,661	4,186,852	9,760,037
Additions	1,695,315	703,531	—	2,398,846
Disposal	(556,837)	(160,192)	—	(717,029)
Exchange alignment	(14,929)	(1,238)	(14,937)	(31,104)
At 31 December 2020	6,514,073	724,762	4,171,915	11,410,750
Accumulated depreciation				
At 1 January 2019	2,721,755	118,001	426,619	3,266,375
Charge for the year	786,461	21,231	40,300	847,992
Exchange alignment	4,120	286	5,228	9,634
At 31 December 2019 and 1 January 2020	3,512,336	139,518	472,147	4,124,001
Charge for the year	1,394,336	112,973	742,941	2,250,250
Disposal	(511,685)	(138,421)	—	(650,106)
Exchange alignment	(6,092)	(352)	(14,937)	(21,381)
At 31 December 2020	4,388,895	113,718	1,200,151	5,702,764
Net carrying value				
At 31 December 2020	2,125,178	611,044	2,971,764	5,707,986
At 31 December 2019	1,878,188	43,143	3,714,705	5,636,036

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16. INTANGIBLE ASSETS

	Game and software intellectual properties <i>RMB</i>	Development costs <i>RMB</i>	Total <i>RMB</i>
Cost			
At 1 January 2019	24,275,968	4,382,444	28,658,412
Additions	—	16,657,848	16,657,848
Transfer	10,046,493	(10,046,493)	—
At 31 December 2019 and 1 January 2020	34,322,461	10,993,799	45,316,260
Additions	—	29,754,268	29,754,268
Transfer	10,622,862	(10,622,862)	—
Write-off	—	(2,589,356)	(2,589,356)
At 31 December 2020	44,945,323	27,535,849	72,481,172
Accumulated amortisation and impairment			
At 1 January 2019	21,056,250	—	21,056,250
Charge for the year	4,879,006	—	4,879,006
At 31 December 2019 and 1 January 2020	25,935,256	—	25,935,256
Charge for the year	6,702,811	—	6,702,811
At 31 December 2020	32,638,067	—	32,638,067
Net carrying value			
At 31 December 2020	12,307,256	27,535,849	39,843,105
At 31 December 2019	8,387,205	10,993,799	19,381,004

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17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases a number of office premises in the jurisdictions from which it operates, including the PRC, Hong Kong and Thailand. The leases of buildings comprise only fixed payments over the lease terms.

Right-of-use assets

	<i>RMB</i>
Cost	
At 1 January 2019	2,667,161
Additions	9,375,771
Exchange alignment	88,233
At 31 December 2019 and 1 January 2020	12,131,165
Additions	845,236
Termination of a lease	(619,049)
Exchange alignment	(10,136)
At 31 December 2020	12,347,216
Accumulated depreciation	
At 1 January 2019	—
Charge for the year	2,592,536
Exchange alignment	46,418
At 31 December 2019 and 1 January 2020	2,638,954
Charge for the year	2,311,523
Termination of a lease	(77,381)
Exchange alignment	21,347
At 31 December 2020	4,894,443
Net carrying value	
At 31 December 2020	7,452,773
At 31 December 2019	9,492,211

There is one lease of office premises in the PRC that contains an extension option. The Group determines that it is reasonably certain to exercise the extension option and the future lease during this extension period has been included in the measurement of right-of-use assets and lease liabilities. Except for the above, there are no extension or termination options on the Group's leases.

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17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Lease liabilities

	31 December 2020		31 December 2019	
	Present value of minimum lease payment RMB	Total minimum lease payment RMB	Present value of minimum lease payment RMB	Total minimum lease payment RMB
Maturity analysis:				
Within 1 year	2,234,551	2,558,206	2,668,934	3,065,076
After 1 year but within 2 years	2,119,656	2,342,339	1,976,968	2,267,292
After 2 years but within 5 years	3,531,593	3,675,249	5,093,783	5,433,261
Less: Interest	7,885,800	8,575,794 (689,994)	9,739,685	10,765,629 (1,025,944)
		7,885,800		9,739,685
Analysed as:				
Non-current		5,651,248		7,070,751
Current		2,234,552		2,668,934
		7,885,800		9,739,685

At 31 December 2020, the Group has committed to pay rental expenses of RMB130,732 (2019: RMB279,347) for short-term leases.

Reconciliation of liabilities arising from financing activities:

	2020 RMB	2019 RMB
At 1 January	9,739,685	2,667,161
Changes from cash flows:		
Payment of principal element of lease liabilities	(1,742,751)	(2,345,366)
Payment of interest element of lease liabilities	(396,206)	(362,815)
Other changes:		
Finance costs	396,206	362,815
Addition of new leases	845,236	9,375,771
Termination of a lease	(414,643)	—
COVID-19-related rent concessions (<i>Note 7</i>)	(509,368)	—
Exchange alignment	(32,359)	42,119
At 31 December	7,885,800	9,739,685

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18. TRADE RECEIVABLES

The Group normally allows credit period within 120 days to its Licensed Operators, third party game distribution platforms and payment channels. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 31(a).

The ageing analysis of trade receivables (net), based on invoice date, as of the end of the reporting period is as follows:

	2020 <i>RMB</i>	2019 <i>RMB</i>
0-30 days	46,806,633	43,732,675
31-60 days	22,085,071	35,176,491
61-90 days	3,079,444	35,382,527
91-120 days	215,281	25,567,860
more than 120 days	20,727,495	653,620
	92,913,924	140,513,173

No impairment allowance under the expected credit losses approach was provided as the management considered that there has not been a significant change in credit quality based on historical experience and the impairment allowance has no significant financial impact on the Group's trade receivables as at 31 December 2020 and 2019.

The Group does not hold any collateral over these balances.

19. SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2020 <i>RMB</i>	2019 <i>RMB</i>
Cash at banks and on hand	119,196,547	123,579,832
Short-term bank deposits with original maturity of less than three months	476,951,422	24,311,334
Cash and cash equivalents	596,147,969	147,891,166
Short-term bank deposits with original maturity of more than three months	20,000,000	100,609,632
	616,147,969	248,500,798

Cash at banks earns interest at floating rate based on daily bank deposit rates. Short-term bank deposits are made for six months or less than three months, and earn interest at the respective short-term bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

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**19. SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS
(Continued)**

The analysis of short-term bank deposits and cash and cash equivalents denominated in foreign currencies at the end of the reporting period is shown as follows:

	2020 <i>RMB</i>	2019 <i>RMB</i>
Euro ("EUR")	41,815	40,724
HKD	4,374,352	3,880,836
United States dollars ("USD")	223,042,672	95,175,547
Thai Baht ("THB")	5,947,917	4,119,918
RMB	382,741,213	145,283,773
	616,147,969	248,500,798

RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

20. TRADE AND OTHER PAYABLES

	2020 <i>RMB</i>	2019 <i>RMB</i>
Trade payables	333,060	114,156
Other payables	10,391,317	6,113,901
Accruals	15,233,267	9,678,350
	25,957,644	15,906,407

An ageing analysis of the Group's trade payables, based on invoice date, as of the end of reporting period is as follows:

	2020 <i>RMB</i>	2019 <i>RMB</i>
Less than 30 days	333,060	114,156

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21. DEFERRED REVENUE

	2020 RMB	2019 RMB
Current	134,510	139,559

As at 31 December 2020 and 2019, deferred revenue represented unamortised portion of income received in respect of in-game purchase paid by the Paying Players from the Group's game operation segment. Deferred revenue is classified as contract liability under HKFRS 15 "Revenue from contracts from customers".

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts amounted to RMB134,510 (2019: RMB139,559). The Group will recognise the expected revenue in future when or as the service is rendered, which is expected to occur over the next 6–12 months.

	2020 RMB	2019 RMB
Movements in deferred revenue		
At 1 January	139,559	1,020,418
Increase as a result of receiving in-game purchase paid by the Paying Players but revenue not recognised	134,510	139,559
Decrease as a result of recognising revenue during the year that was included in the deferred revenue at the beginning of the year	(139,559)	(971,442)
Others	—	(48,976)
At 31 December	134,510	139,559

22. DEFERRED TAX LIABILITIES

	2020 RMB	2019 RMB
At 1 January	19,000,000	8,900,000
Charged to profit or loss for the year (Note 10)	11,600,000	10,100,000
At 31 December	30,600,000	19,000,000

Deferred tax liabilities have not been provided for in the consolidated financial statements in respect of the accumulated undistributed retained profits of the PRC subsidiaries amounting to approximately RMB153,982,813 at 31 December 2020 (2019: RMB76,341,701) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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22. DEFERRED TAX LIABILITIES (Continued)

As at 31 December 2020, the Group has unused tax losses arising from Hong Kong of approximately RMB4,034,000 (2019: RMB2,864,000) that are available indefinitely. As at 31 December 2019, Firerock Co., Ltd, one of the subsidiaries, incorporated in Thailand, has unused tax loss of approximately RMB2,330,151 which has been fully utilised for offsetting against the estimated assessable profits for the current year.

Certain amounts of unused tax losses are subject to approval from the local tax authorities. No deferred tax assets have been recognised due to the unpredictability of future profit streams against which the tax losses can be utilised.

23. SHARE CAPITAL

	Number of ordinary shares	Amount HKD	Amount RMB
Authorised:			
At 1 January 2019	500,000,000	5,000,000	4,199,383
Increase	1,500,000,000	15,000,000	13,398,450
At 31 December 2019 and 1 January 2020	2,000,000,000	20,000,000	17,597,833
Share subdivision (<i>Note</i>)	4,000,000,000	—	—
At 31 December 2020	6,000,000,000	20,000,000	17,597,833
Issued and fully paid:			
At 1 January 2019, 31 December 2019 and 1 January 2020	320,000,000	3,200,000	2,669,060
Share subdivision (<i>Note</i>)	640,000,000	—	—
At 31 December 2020	960,000,000	3,200,000	2,669,060

Note:

On 19 August 2020, each of the authorised and issued ordinary share of HKD0.01 each was subdivided into three subdivided ordinary shares of HKD0.0033 each. The share subdivision was approved by the shareholders of the Company and became effective on 19 August 2020.

24. RESERVES

Details of the movements on the Group's reserves for the years ended 31 December 2020 and 2019 are presented in the consolidated statement of changes in equity. The nature and purposes of reserves within equity are as follows:

(a) Share premium

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

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24. RESERVES (Continued)

(b) Capital reserve

On 20 March 2015, each of the shareholders of the Company advanced a shareholders' loan (the "Shareholders' Loan") amounted to HKD28,000,000 (equivalent to approximately RMB22,094,240) in aggregate to the Company but irrevocably waived by them on 24 March 2015. The Shareholders' Loan was classified as capital reserve of the Company on the same date. The funds represented that an inter-group loan was provided to Fire Rock International (HK) Limited ("Fire Rock (HK)").

On 21 April 2015, Fire Rock (HK) paid a cash consideration of HKD13,800,000 (equivalent to approximately RMB10,892,980) to Mr. Zhang Yan, Mr. Wu Zhe, Mr. Rao Zhen Wu and Mr. Huang Yong, the shareholders of Shenzhen Fire Element in exchange for their equity interests in Shenzhen Fire Element as part of the Group's reorganisation in 2016. The consideration was funded by the Shareholders' Loan. The remaining balance of the Shareholders' Loan would be used for general working capital requirements and the expenses of the Group.

The above transactions represented an integral part of the Group's reorganisation and in substance are accounted for by the Group as a single arrangement. Accordingly, the capital reserve of the Group reflects the cash inflow of HKD14,200,000 (equivalent to approximately RMB11,201,260) to the Group during the year ended 31 December 2015.

(c) Merger reserve

The merger reserve of the Group represents the difference between the investment costs in subsidiaries and the nominal value of the issued share capital of the Group's subsidiaries.

(d) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the company incorporated in the PRC now comprising the Group, i.e. the PRC Operational Entity, it is required to appropriate 10% of the annual net profits of the PRC Operational Entity, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserve fund before distributing any net profit. When the balance of the statutory reserve fund reaches 50% of the registered capital of the PRC Operational Entity, any further appropriation is at the discretion of shareholders. The statutory reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory reserve fund after such issue is no less than 25% of registered capital.

In accordance with Section 1202 of Thai Civil and Commercial Code and Articles of Association of Firerock, it is required to appropriate at least 5% of the annual net profits, after offsetting any prior years' losses as determined under the Thai accounting standards, to the statutory surplus reserve fund before distributing any net profit. When the balance of the statutory surplus reserve fund reaches 10% of the registered capital of Firerock, any further appropriation is at the discretion of shareholders.

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24. RESERVES (Continued)

(d) Statutory reserve (Continued)

The Company

	Share premium RMB	Capital reserve RMB	Foreign exchange reserve RMB	Share- based payment reserve RMB	Retained profits RMB	Total RMB
At 1 January 2019	35,021,914	22,094,240	4,151,703	342,503	96,684,754	158,295,114
Profit for the year	—	—	—	—	160,181,844	160,181,844
Other comprehensive income for the year:						
Exchange differences on translation of financial statements	—	—	3,431,471	—	—	3,431,471
Total comprehensive income for the year	—	—	3,431,471	—	160,181,844	163,613,315
Dividends	—	—	—	—	(21,498,720)	(21,498,720)
Equity-settled share-based transactions (Note 25)	—	—	—	942,499	—	942,499
At 31 December 2019 and 1 January 2020	35,021,914	22,094,240	7,583,174	1,285,002	235,367,878	301,352,208
Profit for the year	—	—	—	—	261,869,717	261,869,717
Other comprehensive income for the year:						
Exchange differences on translation of financial statements	—	—	(17,290,546)	—	—	(17,290,546)
Total comprehensive income for the year	—	—	(17,290,546)	—	261,869,717	244,579,171
Dividends	—	—	—	—	(26,873,400)	(26,873,400)
Equity-settled share-based transactions (Note 25)	—	—	—	945,950	—	945,950
At 31 December 2020	35,021,914	22,094,240	(9,707,372)	2,230,952	470,364,195	520,003,929

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25. SHARE AWARD SCHEME

The Company operates a share award scheme (the “Scheme”) to incentive its employees. On 12 September 2018, 708,000 award shares amounted to HKD3.8 million (equivalent to approximately RMB3.3 million) were granted to 47 eligible employees and the award shares were held under custody of Ping An of China Securities (Hong Kong) Company Limited. The award shares are unconditionally vested to the eligible employees after 3-year employment with the Group for the period from 12 September 2018 to 11 September 2021. The price of the shares granted of HKD5.39 (equivalent to approximately RMB4.71) was set as the Stock Exchange closing price of the Company’s shares on the date of the offer.

During the year ended 31 December 2020, share-based payment expenses of RMB945,950 (2019: RMB942,499) has been recognised by the Group as staff costs in profit or loss (Note 13).

Movement in the number of award shares of the Company is as follows:

	2020 Number	2019 Number
At 1 January	626,000	708,000
Retrieved due to termination of employment	(10,000)	(82,000)
At 16 August	616,000	626,000
Share subdivision (Note)	1,232,000	—
At 31 December	1,848,000	626,000

Note:

The number of award shares were subdivided into three subdivided ordinary shares on 19 August 2020 (Note 23).

26. RELATED PARTY TRANSACTIONS

- (a) Except for those disclosed elsewhere in the consolidated financial statements, the Group did not entered into any related party transactions with its related parties during the years ended 31 December 2020 and 2019.
- (b) Members of key management comprise only of the directors whose emoluments are set out in Note 14(a).

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27. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2020 RMB	2019 RMB
Non-current assets			
Interests in subsidiaries		1,287,311	1,283,860
Current assets			
Prepayments, deposits and other receivables		21,119	28,999
Amounts due from subsidiaries	<i>28</i>	192,448,497	133,579,716
Dividend receivables		268,000,000	169,000,000
Cash and cash equivalents		67,375,467	3,378,927
		527,845,083	305,987,642
Current liabilities			
Dividend payables		1,436,048	—
Accruals		2,918,855	1,010,356
Amounts due to subsidiaries	<i>28</i>	2,104,502	2,239,878
		6,459,405	3,250,234
Net current assets		521,385,678	302,737,408
Net assets		522,672,989	304,021,268
Equity			
Share capital	<i>23</i>	2,669,060	2,669,060
Reserves	<i>24</i>	520,003,929	301,352,208
Total equity		522,672,989	304,021,268

On behalf of the board of directors

Su Yi
Director

Zhou Kun
Director

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28. INTERESTS IN SUBSIDIARIES

Details of the subsidiaries are as follows:

Name	Form of business structure	Place of incorporation	Place of operations	Description of shares held	Proportion of effective equity interests held by the Company		Principal activities
					2020	2019	
Directly held:							
Fire Rock International Limited	Limited liability company	The British Virgin Islands	Hong Kong	Ordinary Share of HKD1	100%	100%	Investment holding
Indirectly held:							
Fire Rock (HK)	Limited liability company	Hong Kong	Hong Kong	Ordinary Share of HKD1	100%	100%	Investment holding and licensing browser games
Shenzhen Fire Element	Limited liability company (Taiwan, Hong Kong and Macau sole proprietorship owned enterprise)	The PRC	The PRC	Registered capital of RMB25,000,000	100%	100%	Software, browser and mobile games development, including the game design, programming and graphics
Shenzhen Fire Element Network Science and Technology Company Limited	Limited liability company (wholly-owned enterprise)	The PRC	The PRC	Registered capital of RMB5,000,000	100%	100%	Software, browser and mobile games development, including the game design, programming and graphics
Firerock	Limited liability company	Thailand	Thailand	Registered capital of THB6,666,665	73.5%	73.5%	Mobile game operation

* On 27 December 2019, Firerock received capital injection of THB1,666,665 (equivalent to approximately RMB387,981) from an independent third party, and the proportion of effective equity interests held by the Company decreased from 98.0% to 73.5%. As a result, the net liabilities of Firerock attributable to non-controlling interest increased by RMB251,596 and the retained profits attributable to owners of the Company increased by RMB546,775 as at 31 December 2019. The transaction is accounted for as an equity transaction with the non-controlling interests.

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

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29. CAPITAL MANAGEMENT

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern and maximising the return to stakeholders. The Group's capital structure is regularly reviewed and managed by the directors of the Company. The Group is not subject to externally imposed capital requirements. To maintain or adjust capital structure, the Group may adjust dividend payment to shareholders or issue new shares. Adjustments will be made to the capital structure in light of changes in economic conditions affecting the Company or its subsidiaries, and the risk characteristics of the Group's underlying assets.

The Group defines "capital" as including all components of equity. The capital of the Group at 31 December 2020 was RMB688,304,487 (2019: RMB384,089,248).

30. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities as defined in Note 4(f):

	2020 RMB	2019 RMB
Financial assets		
<i>At amortised cost:</i>		
Trade receivables	92,913,924	140,513,173
Deposits and other receivables	1,233,342	4,899,654
Short-term bank deposits	20,000,000	100,609,632
Cash and cash equivalents	596,147,969	147,891,166
	710,295,235	393,913,625
Financial liabilities		
<i>At amortised cost:</i>		
Lease liabilities	7,885,800	9,739,685
Trade and other payables	22,563,434	13,231,911
	30,449,234	22,971,596

Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade receivables, deposits and other receivables, short-term bank deposits, cash and cash equivalents, lease liabilities as well as trade and other payables. Due to their short-term nature, the carrying values of these financial instruments approximate their fair values.



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31. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, short-term bank deposits and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on the Licensed Operators, third-party game distribution platforms and payment channels. These evaluations focus on their past history of making payments when due and current ability to pay, and take into account information specific to them as well as pertaining to the economic environment in which they operate. Trade receivables are due within 120 days. Normally, the Group does not obtain collateral from the trade debtors. Also, management reviews regularly the recoverable amount of individual trade and other receivables to ensure that adequate impairment provision is made for irrecoverable amount.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each trade debtors. The default risk of the industry and country in which the trade debtors also has an influence on credit risk but to a lesser extent. As at 31 December 2020, two Licensed Operators with the highest trade receivables balance (2019: two Licensed Operators) were approximately RMB80,516,000 (2019: RMB133,883,000) and represented approximately 87% (2019: approximately 95%) of the total balance of trade receivables.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The ECLs on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and current market condition in relation to each debtor's exposure and time value of money where appropriate. The ECLs also incorporate forward looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle the trade receivables.

31. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

The Group determines the expected loss rate for its trade receivables as follows:

	2020	2019
Not yet past due	0.2%	0%
Less than 30 days past due	2.1%	2.1%
31 days to 60 days past due	2.1%	2.1%
61 days to 120 days past due	2.1%	2.1%
Over 121 days past due	1.3%	2.8%

The credit risks for deposits and other receivables of the Group are considered immaterial as the counterparty have a low risk of default.

The Group assessed that the ECLs for the above balances are immaterial under the 12 months ECLs method. Accordingly, no loss allowance provision was recognised for the years ended 31 December 2020 and 2019.

The maximum exposure to credit risk in respect of the financial instruments are their carrying values.

The credit risk for liquid funds is considered negligible. Short-term bank deposits and cash and cash equivalents are placed with reputable banks with high quality external credit ratings. There was no recent history of default of cash and cash equivalents and short-term deposits from such financial institutions.

The Group does not hold collateral as security. The Group does not provide any guarantees which would expose the Group to credit risk.

The credit policy has been followed by the Group since prior year and is considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

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31. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. Management of the Company is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of business.

The following table shows the remaining contractual maturities at the end of each of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flow (including interest payment computed using contractual rates or, if floating, based on the current rates at the end of the reporting period) and the earliest date the Group may be required to pay.

	Carrying amount RMB	Total contractual undiscounted cash flows RMB	Within 1 year or on demand RMB	More than 1 year but less than 2 years RMB	More than 2 years but less than 5 years RMB
At 31 December 2020					
Trade and other payables	22,563,434	22,563,434	22,563,434	—	—
Lease liabilities	7,885,800	8,575,794	2,558,206	2,342,339	3,675,249
Total	30,449,234	31,139,228	25,121,640	2,342,339	3,675,249
At 31 December 2019					
Trade and other payables	13,231,911	13,231,911	13,231,911	—	—
Lease liabilities	9,739,685	10,765,629	3,065,076	2,267,292	5,433,261
Total	22,971,596	23,997,540	16,296,987	2,267,292	5,433,261

31. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

Other than deposits held in banks, the Group does not have significant interest-bearing assets. The directors of the Company consider the Group's cash flow interest rate risk on bank balances is not significant due to low level of deposit interest rate.

Lease liabilities bear weighted average incremental borrowing rate of 4.75% as at 31 December 2020 and 2019. The directors of the Company consider that the interest rate risk is not significant as the benchmark lending rate suggested by the People's Bank of China remains constant for many years.

As at 31 December 2020 and 2019, the Group has no interest-bearing liabilities, which may expose the Group to any interest rate risk.

(d) Currency risk

The Group is exposed to currency risk primarily through the Royalties and expenses that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily EUR, USD, Japanese Yen ("JPY"), HKD and SGD.

Foreign currency risk arises from the Group's financial assets and financial liabilities, which were denominated in EUR, USD, JPY, HKD and SGD other than the functional currency in net position at the end of each reporting period are as follows:

	2020 RMB	2019 RMB
Net monetary assets		
EUR	1,510,216	735,160
USD	221,816,476	95,217,824
JPY	1,113	24,637
HKD	80	80
SGD	(1,860,444)	—

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31. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk (Continued)

The following table indicates the approximate effect on the profit for the year in response to reasonably possible changes in the foreign exchange rates, with all other variables held constant, to which the Group has significant exposure at the end of each reporting period.

	Year ended 31 December 2020			
	Appreciates against RMB	Increase in profit for the year and retained profits RMB	Depreciates against RMB	Decrease in profit for the year and retained profits RMB
EUR	5%	67,824	5%	(67,824)
USD	5%	9,263,465	5%	(9,263,465)
JPY	5%	50	5%	(50)
HKD	5%	4	5%	(4)
SGD	5%	(74,418)	5%	74,418

	Year ended 31 December 2019			
	Appreciates against RMB	Increase in profit for the year and retained profits RMB	Depreciates against RMB	Decrease in profit for the year and retained profits RMB
EUR	5%	32,082	5%	(32,082)
USD	5%	3,975,937	5%	(3,975,937)
JPY	5%	1,078	5%	(1,078)
HKD	5%	3	5%	(3)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the above table represent an aggregation of the effects on Groups' profit for the year and equity measured in the respective foreign currencies, translated into RMB at the exchange rate ruling at the end of reporting period for presentation purposes. The measures to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

32. CAPITAL COMMITMENT

At 31 December 2020, the Group has the following capital commitment which was contracted but not yet provided for in the consolidated financial statement.

Establishment of Shenzhen Huaying Fund

Shenzhen Fire Element, an indirect wholly-owned subsidiary of the Group (as limited partner), entered into an investment agreement with Shenzhen Qianhai Tongfu Equity Investment Management Co., Ltd. (深圳前海通付股權投資管理有限公司) (as general partner) and Shenzhen Angel FOF Co., Ltd (深圳市天使投資引導基金有限公司) (as limited partner) in November 2020 for the joint venture establishment of Shenzhen Huaying Angel Investment Enterprise (Limited Partnership) (深圳華映天使投資企業(有限合夥)) (“Shenzhen Huaying Fund”) with fund size of RMB51.0 million. The fund was formed on 18 December 2020. The total amount of the Group’s capital commitment for Shenzhen Huaying Fund was RMB30.0 million as at 31 December 2020.

In January 2021, the Group had made capital contribution of RMB15.0 million to Shenzhen Huaying Fund for investment in connection with the aforesaid contract.

On 1 March 2021, Shenzhen Huaying Fund, had completed the filing for fund establishment with the Asset Management Association of China in accordance with the laws and regulations of the PRC.

Shenzhen Huaying Fund has proposed to engage in angel fund investment in strategic new industries, future industries and other key industries for development supported and encouraged by the Shenzhen Municipal Government principally by way of equity securities and/or convertible bonds, with a primary focus on enterprises engaged in product research and development, production or services for sectors such as information technology and data application, corporate services and the Internet.

Details of the establishment of Shenzhen Huaying Fund refers to the announcement of the Company dated 1 March 2021.

33. EVENT AFTER THE REPORTING PERIOD

Very substantial acquisition of Tak Shing

On 18 November 2020, the Company entered into a sale and purchase agreement (“Agreement”) with the vendors, Honour Soar Holdings Limited, Morning Rain Holdings Limited and Joyous Bliss Holdings Limited (collectively represented as “Vendors”), and guarantors, pursuant to which Vendors conditionally agreed to sell and the Group conditionally agreed to acquire the entire issued share capital in Tak Shing International Holdings Limited (“Tak Shing”) at a consideration of RMB900 million, which shall be satisfied as to RMB300 million by way of cash and as to RMB600 million by way of issue of the promissory note by the Company to the Vendors.

On 2 February 2021, the shareholders of the Company has passed an ordinary resolution at an extraordinary general meeting to approve the Agreement and the management determined the completion date of the Agreement is 4 February 2021 (“Completion date”). Details of the transaction referred to the announcement of the Company dated 18 November 2020, 4 February 2021 and the circular of the Company dated 13 January 2021.



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33. EVENT AFTER THE REPORTING PERIOD (Continued)

Very substantial acquisition of Tak Shing (Continued)

The Company had not yet determined the fair value of the identifiable assets and liabilities of Tak Shing at the Completion date. Accordingly, the directors of the Company consider that it is not practicable to disclose the financial information of Tak Shing as required under HKFRS 3 (Revised) “Business Combinations”, including the fair value of its assets and liabilities and goodwill (if any) on acquisition of Tak Shing at this stage.

Incorporation of a non wholly-owned subsidiary

In February 2021, the Group formed Su Ze Lan Te (Shanghai) Cyber Technology Company Limited* (蘇澤蘭特(上海)網路科技有限公司) (“Su Ze Lan Te (Shanghai)”), a non wholly-owned subsidiary, with Mr. Hu Xuanfeng (胡烜峰) (“Mr. Hu”) and Mr. Ye Bin (葉斌), a member of Mr. Hu’s game development team. The registered capital of Su Ze Lan Te (Shanghai) is RMB10,000,000, owned as to 51% by the Company. Su Ze Lan Te (Shanghai) is principally engaged in the projects relating to blockchain applications in games.

* for identification purposes only