CMGE
中手游
为热爱而生

CMGE Technology Group Limited
中手游科技集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0302)

2020 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. XIAO Jian *(Chairman and Chief Executive Officer)*
Mr. SIN Hendrick *(Vice Chairman)*
Mr. FAN Yingjie (appointed on 23 December 2020)

Non-executive Directors

Mr. MA Yuntao (resigned on 13 July 2020)
Mr. TANG Yanwen (resigned on 23 December 2020)

Independent Non-executive Directors

Ms. NG Yi Kum
Mr. TANG Liang
Mr. HO Orlando Yaukai

AUDIT COMMITTEE

Ms. NG Yi Kum *(Chairlady)*
Mr. MA Yuntao (resigned on 13 July 2020)
Mr. TANG Liang
Mr. HO Orlando Yaukai (appointed on 13 July 2020)

REMUNERATION COMMITTEE

Mr. HO Orlando Yaukai *(Chairman)*
Mr. SIN Hendrick
Ms. NG Yi Kum

NOMINATION COMMITTEE

Mr. XIAO Jian *(Chairman)*
Mr. TANG Liang
Mr. HO Orlando Yaukai

CORPORATE GOVERNANCE COMMITTEE

Ms. NG Yi Kum *(Chairlady)*
Mr. SIN Hendrick
Mr. HO Orlando Yaukai

AUTHORISED REPRESENTATIVES

Mr. XIAO Jian
Mr. SIN Hendrick

COMPANY SECRETARY

Ms. LAI Yau Yan Gladys

HONG KONG LEGAL ADVISER

Kirkland & Ellis
26th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITOR

Ernst & Young
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1 Tim Mei Avenue
Central
Hong Kong

COMPLIANCE ADVISER

First Shanghai Capital Limited
19th Floor, Wing on House
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Hong Kong

REGISTERED OFFICE

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Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS

10th Floor, Building No. 4
Zhuoyue Meilin Centre Square
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Futian District
Shenzhen
Guangdong Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

13th Floor, 8 Wyndham Street
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Guangfa Bank
Shenzhen Branch, Binhai Sub-branch

China Merchants Bank
Shenzhen Branch, Weisheng Building
Sub-branch

Guangdong Huaxing Bank
Shenzhen Branch

China Everbright Bank
Shenzhen Futian Branch

COMPANY'S WEBSITE

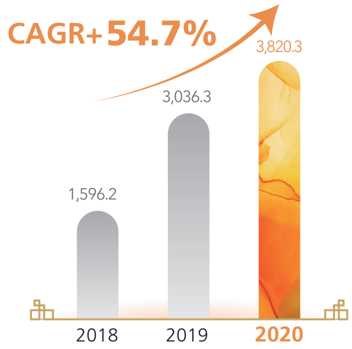
http://www.cmge.com

STOCK CODE

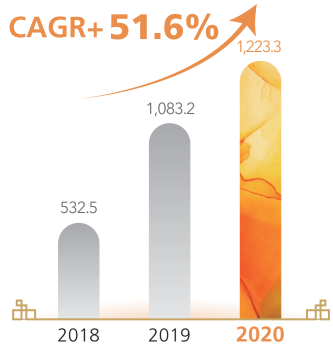
0302

FINANCIAL SUMMARY

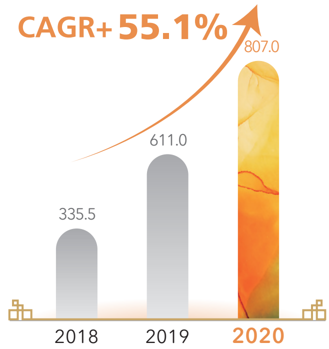
REVENUE
(RMB in millions)



GROSS PROFIT
(RMB in millions)

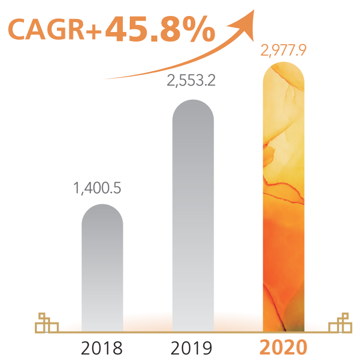


ADJUSTED NET PROFIT[2]
(RMB in millions)

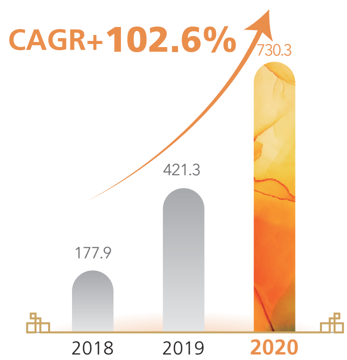


The increase in the Group's revenue was driven by its strong game publishing, game development and IP licensing businesses.

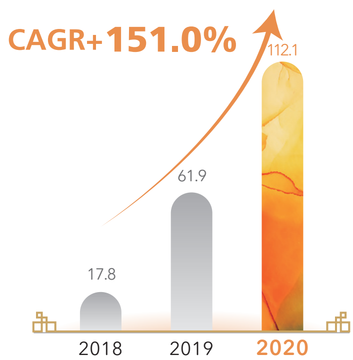
REVENUE FROM GAME PUBLISHING
(RMB in millions)



REVENUE FROM GAME DEVELOPMENT
(RMB in millions)



REVENUE FROM IP LICENSING
(RMB in millions)



FIVE-YEAR FINANCIAL SUMMARY

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue [1]	**3,820,326**	**3,036,301**	**1,596,204**	**1,012,791**	**1,001,163**
Gross profit [1]	**1,223,264**	**1,083,198**	**532,470**	**340,455**	**349,390**
Profit for the year [1]	**690,200**	243,213	315,973	264,995	188,499
Adjusted net profit [1][2]	**806,950**	**611,007**	**335,465**	**264,995**	**188,499**
Earnings per Share (RMB)	**29.92 cents**	13.15 cents	17.28 cents	14.72 cents	10.47 cents
Adjusted earnings per Share (RMB) [2]	**34.43 cents**	**32.34 cents**	**18.64 cents**	**14.72 cents**	**10.47 cents**
Dividend per Share (HK$)	**9.28 cents**	3.55 cents	N/A	N/A	N/A
Total assets	**6,330,599**	5,208,124	3,013,204	1,115,527	1,289,226
Total liabilities	**1,529,743**	1,496,510	1,150,475	207,874	599,607
Total equity	**4,800,856**	3,711,614	1,862,729	907,653	689,619

Notes:

(1) The Group's revenue, gross profit, profit for the year and adjusted net profit for the years ended 31 December 2016 and 2017 have excluded the revenue, gross profit and profit for the year generated from the Group's card and board games business, which business was disposed of by the Group on 31 December 2017.

(2) "Adjusted net profit" is not defined under the HKFRS. It is defined by the Group as net profit attributable to owners of the parent excluding (i) equity-settled share-based expense; and (ii) Listing expenses. The adjusted net profit more closely reflects the Group's operating results, after excluding the above-mentioned non-operating items. "Adjusted earnings per Share" are the Group's adjusted net profit divided by the weighted average number of Shares during 2020.

Dear Shareholders,

In 2020, the COVID-19 pandemic posed severe challenges upon the global social and economic environment. The sudden pandemic has brought attention to the "otaku economy (宅經濟)". Driven by the "otaku economy", the gaming industry experienced a boom. According to a report issued by Newzoo, a globally well-known statistics analytic organisation, as of the end of 2020, global game player population reached 2.7 billion, representing an increase of 4.9% as compared to that of the previous year, and revenue derived from the global gaming market reached USD174.9 billion for the year 2020, representing a year-on-year increase of 19.6%.

2020 marked the 10th anniversary of the Group. The Group consistently adheres to its six major development strategies, namely "IP focus, high-quality, integrated research and operation, ecosystem, globalisation and branding" (IP化、精品化、研運一體化、生態化、全球化和品牌化), to establish a highly competitive IP-based game ecosystem and achieve outstanding results. In 2020, the revenue of the Group increased by 25.8% year-on-year to RMB3,820.3 million; the adjusted net profit of the Group increased by 32.1% year-on-year to RMB807.0 million; the total number of newly registered users of the Group increased by 18.6% year-on-year to 101.6 million; the average MAUs of the Group increased by 16.0% year-on-year to 18.5 million; and the average MPUs of the Group increased by 17.8% year-on-year to 1.4 million. As at 31 December 2020, the Group operated a total of 81 games.

In 2020, the Group achieved impressive results in terms of global publishing and self-development of IP based games. The Group successfully launched multiple new self-published games. Among these, the mobile game *Reborn!* (家庭教師) ranked second on the Top Free Games List of Apple's App Store in Mainland China in the first month of its launch; and *Xuan Yuan Sword – the Origin* (軒轅劍:劍之源) ranked second on the Top Free Games List of Apple's App Store in Mainland China in the first month of its launch. Further, *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) ranked first and fifth in the Top Free Games List and Best Selling Games List of Apple's App Store in the first month of its launch in Mainland China respectively according to the statistics from App Annie, an authoritative third party institution. This game also attracted much attention and was praised among the industry, receiving awards such as "Players' Favorite Mobile Online Game Award" at the Golden Plume Award 2020 (2020年度金翎獎「玩家最喜愛的移動網絡遊戲」), Annual Mobile Game and Online Game Award at the 5th Golden Gyro Award (第五屆金陀螺獎「風雲移動遊戲網遊獎」), Chinese Game Industry Outstanding Mobile Game at the Golden Finger Award 2020 (2020年度中國遊戲行業「金手指」獎「中國遊戲行業優秀手機遊戲」) and "Best New Game" at the Mi Developer Conference (小米開發者大會「最佳新遊獎」). The Group also launched the 3D mini shooter game *Life and Death Sniper: Zombie Frontier* (生死狙擊之殭屍前線), the H5 game *Away from keyboard* version of *A Record of a Mortal's Journey to Immortality* (凡人修仙傳掛機版) and other new games, all of which performed well in the market. In addition, benefitting from the outstanding operating abilities of the Group, a number of games that were launched in previous years, such as *One Piece – the Road of the Strong* (航海王強者之路), *Dragon Ball – Awakening* (龍珠覺醒), *The National Gunlord – The Frontier* (全民槍神:邊境王者) and *The Story of the Flying Mortal H5* (凡人飛仙傳H5), still show strong vitality, and consistently contribute stable revenue to the Group.

In terms of extensive cooperation with domestic top traffic platforms, *Monster List: Past and Present Lives* (妖怪名單之前世今生), a top domestic comic IP-based card and tower defense mobile game that was jointly developed by the Group and Guangzhou Huanyu Jiuzhou Technology Co., Ltd. (廣州寰宇九州科技有限公司)("**Huanyu Jiuzhou**") and exclusively published by Tencent Games, was launched on 25 September 2020. The game ranked second in the Top Free Games List of Apple's App Store on the first day of its launch.

Not only have the quality games launched by the Group been successful in Mainland China, they have also performed well in Hong Kong, Macau and Taiwan. The mobile game *Reborn!* (家庭教師) ranked first on the Top Free Games List of Apple's App Store in all three regions on the first day of its launch. *Xuan Yuan Sword – the Origin* (軒轅劍:劍之源) was ranked third and first on the Top Free Games List of Apple's App Store and Best Selling Games List of Google Play Store in Taiwan, respectively, on the first week of its launch. *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) ranked first on the Top Free Games List of Apple's App Store in Hong Kong, Macau and Taiwan on the first day of its launch. According to the statistics from App Annie, an authoritative third party institution, the game ranked first on the Best Selling Games List of both Apple's App Store and Google Play Store in Hong Kong, Macau and Taiwan in the first month of its launch.

The Group continued to invest and produce quality self-developed games. In 2020, the Group's revenue derived from its game development business increased by 73.4% year-on-year to RMB730.3 million. Research and development expenses increased by 29.7% year-on-year from RMB160.8 million in 2019 to RMB208.6 million in 2020. Despite having been published for more than two years, *World of Legend-Thunder Empire* (傳奇世界之雷霆霸業), a game developed in-house by the Group's wholly-owned subsidiary, Wenmai Hudong, maintained its popularity and competitiveness. In 2020, it had an average MAUs amounting to over 1 million, while peak gross billing reached RMB107.7 million. The total sales volume of *Monopoly 10* (大富翁10), a game on the STEAM platform developed by the Group's subsidiary, Beijing Softstar, reached 700,000 copies as of 28 February 2021. *Joy of Mahjong* (歡樂真人麻將), a game developed in-house by the Group's card and board game workshop, ranked second in the Best Selling Mahjong, Card and Board Games List on Huawei, OPPO, VIVO and other channels, with an average monthly gross billing of RMB20 million. In terms of new games, the Group launched multiple self-developed games in 2020. Among them, *Legend of Dragon City* (龍城傳奇), a game developed by the original development team of *World of Legend – Thunder Empire* (傳奇世界之雷霆霸業) from Wenmai Hudong, has gained great popularity in the market of its launch. The PC web game developed by Wenmai Hudong, *Demon Rebirth* (魔域覺醒), ranked first in terms of new game recommendations on the wan.360.cn game platform and PC version *Legend of Sword and Fairy – the Magnificence* (仙劍奇俠傳:九野), developed by the Group's subsidiary, Shanghai Softstar, was listed as a recommended game on the STEAM platform in the month it launched, and its mobile game version was officially launched in March 2021. On its first day of launch, the game ranked first in terms of popularity on the TapTap platform, a game community platform under XD Games, and became a popular game recommended on Apple's App Store.

In addition, the Group has strengthened its focus on IP operation, with a continued focus on enriching its IP universes, increasing its IP's popularity and developing the merchandise of its IPs. In 2020, the Group officially began the development of the literature content of the *Legend of Sword and Fairy Universe* (仙劍大宇宙) in order to establish a full and rich worldview of the Legend of Sword and Fairy. Meanwhile, as 2020 marked the 25th Anniversary of the launch of the *Legend of Sword and Fairy* game series, the Group began its "Legend of Sword and Fairy 25th Anniversary" events series, where the Group collaborated with Chinese Music Festival (國風音樂盛典) held by Miman Culture Media (米漫傳媒) and the Most Beautiful Night 2020 (2020年晚會最美的夜) held by Bilibili on that New Year's Eve. The Group also held a number of online and offline concerts, the event series was listed in the Hot Topic List of Weibo four times, receiving over a hundred million views and ranked first in the Hot Topic List of Weibo. The Group also announced the theme song of *Legend of Sword and Fairy 7* （仙劍奇俠傳7） in December 2020, which the theme song ranked first in all three music platforms under TME for almost a month. In July 2020, the Group officially launched the Tmall shop for the Legend of Sword and Fairy, and generated Legend of Sword and Fairy merchandise sales of over RMB5 million in 2020. The Group entered into new licensing cooperation in areas such as games, films and television in 2020. For the year ended 31 December 2020, revenue derived from the Group's IP licensing business and IP game operating right licences reached RMB112.1 million, representing a year-on-year increase of approximately 81.3%. In July 2020, Beijing Softstar, a subsidiary of the Group, entered into a cooperation with Beijing Perfect World Software Technology Development Co., Ltd. (完美世界(北京)軟件科技發展有限公司) ("**Perfect World**") in relation to the development of a mobile game based on the *Legend of Sword and Fairy* IP. The game will be jointly developed by Beijing Softstar and Perfect World and published by Perfect World.

In 2020, the Group invested in a number of mobile game developers and related enterprises, and entered into long-term cooperation with them in terms of customised game development and licensed publishing, expanding the Group's game portfolio and support services. Companies that the Group has invested in include Love Games (Shanghai) Internet Technology Co., Ltd. (樂府互娛(上海)網絡科技有限公司) ("**Love Games**"**)**, established by Cheng Liangqi (程良奇), the chief producer of the game series of the *Youth Three Kingdoms* (少年三國志) and *Junior Monkey King* (少年西遊記). The Group and Love Games jointly deepened their card game strategy, while Cheng Liangqi also participated as the chief product consultant of the Group. The Group also invested in Shenzhen EZfun Interactive Technology Co., Ltd. (深圳易帆互動科技有限公司) ("**EZfun**"), the developer of *Dynasty Warriors: Hegemony* (真·三國無雙霸), where the Group focused on quality *Dynasty Warriors* type action role-playing game (ARPG), aiming to expand and consolidate the Group's competitiveness in the intermediate and hardcore mobile game market. The Group invested in Huanyu Jiuzhou founded by famed producer Zhang Fumao (張福茂). The Group will cooperate with Huanyu Jiuzhou's team to explore the blue ocean market of tower defense and simulation game (SLG) genres they specialise in, as well as other genres. The Group invested in Shenzhen Heyao Network Technology Co., Ltd. (深圳市赫耀網絡科技有限公司) ("**Shenzhen Heyao**"), which is led by the producer of *The Devil Forbidder* (太古封魔錄), Li Wendong (李文東), in January 2021. Both parties will cooperate to produce quality games under the vertical 3D MMORPG genre. The above investments will enhance the Group's ability to produce and supply quality games and facilitate the sustainable development of the research and development and publishing business of the Group. Moreover, the Group has completed its Pre-A series investment in Beijing Weiling Times Technology Co., Ltd. (北京蔚領時代科技有限公司) ("**Weiling Times**"), a cloud gaming technology service provider. The cloud demo of *Legend of Sword and Fairy 7* (仙劍奇俠傳7) jointly launched by both parties in 2020 was endorsed and vigorously promoted by multiple cloud gaming platforms. Weiling Times, established in 2019, is a company focused on research and development and technology services in the cloud gaming industry. With leading technology and cost controlling solutions compared to its peers, upon its establishment, Weiling Times became a "Platform as a service (PAAS)" platform for Kingsoft Cloud Gaming and a partner of Alibaba Cloud Gaming Solutions. Apart from public cloud platforms, Weiling Times has commenced comprehensive cooperation with leading game producers, such as miHoYo, to launch high quality cloud gaming services. In 2020, with its hard work as mentioned above, the Group has established industry leading competitive advantages in genres such as the Legend of Mir type, card, Dynasty Warriors type ARPG, Three Kingdoms strategy, PC single player, vertical 3D MMORPG, 3D shooters and Mahjong.

The Group completed a top-up placing on 4 December 2020, and the net proceeds received by the Company amounted to approximately HK$536.78 million. The Group intends to apply the net proceeds to further enhance its IP-based game publishing and development business.

The Group has always emphasised corporate social responsibility. While combating COVID-19, the Group and its employees made a charitable donation of over RMB1.45 million. The Group has been working on the "CMGE Dream Libraries (中手游築夢圖書館)"project for nearly 4 years in cooperation with Wuxi Lingshan Foundation (無錫靈山基金會), where the Group constructed seven "CMGE Dream Libraries (中手游築夢圖書館)" in (i) Xinquan Township, Luxi County, Pingxiang City, Jiangxi Province (江西省萍鄉市蘆溪縣新泉鄉); (ii) Huoqiu County, Lu'an City, Anhui Province (安徽省六安市霍邱縣); (iii) Yunan County, Yunfu City, Guangdong Province (廣東省雲浮市郁南縣); (iv) Zhengding County, Shijiazhuang City, Hebei Province (河北省石家莊市正定縣); (v) Mehekou City, Jilin Province (吉林省梅河口市); (vi) Yangchun City, Guangdong Province (廣東省陽春市); and (vii) Jishan County, Shanxi Province (山西省稷山縣). The Group will also continue to extend caring services to special children groups, further practice charity as the Group's culture and shoulder more social responsibility.

The Group also participated in formulating four standards, namely Entity Standards for on Online Game Jargon (《網絡遊戲術語》團體標準), Regulations on Age Limit Notification in Games (《遊戲適齡提示規範》), Regulations on Content Internal Approval for the Gaming Industry (《遊戲企業內容自審流程規範》) and Regulations on Parent Monitoring Platforms (《家長監護平台規範》), contributing to the promotion and implementation of the standardisation of the industry.

Given its outstanding performance in terms of economic, social, industry, cultural and scientific contributions, the Group was selected as one of the "2019-2020 Top Twenty Socially Responsible Enterprises in the Gaming Industry in China" (2019-2020中國遊戲企業社會責任二十佳企業) in the 2020 Game Responsibility Forum (2020遊戲責任論壇) directed by China Audio-Video and Digital Publishing Association (中國音像與數字出版協會) and held by People's Daily Online (人民網), and was also selected as one of the "TOP 10 Best Performing Gaming Enterprises in Social Responsibility" (社會責任履行狀況良好TOP 10遊戲企業) in the Corporate Social Responsibility Report on the Gaming Industry of China 2020" (《2020年中國遊戲產業企業社會責任調查報告》) prepared by CNG(伽馬).

OUTLOOK FOR 2021

The Group will continue to focus on creating quality games in 2021 and relentlessly deepen its highly competitive IP-based games ecosystem.

The Group's game publishing business in Mainland China is expected to undergo consistent and stable growth. In 2021, after launching *Legend of Sword and Fairy – the Magnificence* (仙劍奇俠傳:九野), the Group also plans to publish multiple new games, including *Soul Land: God of Battle Arise* (斗羅大陸: 鬥神再臨), *Rakshasa Street: Chosen One* (鎮魂街:天生為王), *Swallowed Star: Dawn* (吞噬星空:黎明), *Cultivation Fantasy* (我的御劍日記), *New Romance of the Three Kingdoms: The Legend of Cao Cao* (新三國志曹操傳), *Drawing Swords: My Individual Team* (亮劍:我的獨立團), *Hua Jiang Hu: Bei Mo Ting* (畫江湖之杯莫停), *Code: Mountainous Seas* (代號:山海), *Code: Fairy Tale* (代號:童話), *Imperial Command* (號令皇城) and *Legend of the Immortals: Sharing the Sky* (星辰變:共攬蒼穹).

Soul Land: God of Battle Arise (斗羅大陸: 鬥神再臨)

Soul Land: God of Battle Arise (斗羅大陸: 鬥神再臨), the first 3D adventure mobile game adapted from the IP of *Soul Land* (斗羅大陸) licensed by China Literature Limited (閱文集團), is planned to be launched during the first half of 2021. Since its adaptation into animation, the novel *Soul Land* (斗羅大陸) has achieved over ten billion views with a large fan base. This mobile game reproduces the setting of the original novel. The combination of different characters with unique techniques and intelligent gameplay provides players with clear core values and objectives for the game, outshining its IP counterparts. *Soul Land: God of Battle Arise* (斗羅大陸: 鬥神再臨) is expected to be one of the most important mobile games of the Group and China Literature Limited (閱文集團) in the first half of 2021.

Rakshasa Street: Chosen One (鎮魂街:天生為王)

The first 3D ARPG action mobile game adapted from the IP of top Chinese comic, Rakshasa Street (鎮魂街), which has a rich IP derived work. The comic of Rakshasa Street (鎮魂街) has a total hit rate of nearly 5 billion. Its animation receives a rating of 9.1 on the Bilibili platform, with almost 8 million viewers and a total number of views of over 600 million, having wide influence within the Animation, Comic, Game and Novel (ACGN) circle.

The mobile game *Rakshasa Street: Chosen One* (鎮魂街:天生為王) has developed an original core experience where both the character and its guardian spirit fight at the same time, giving players the ultimate in intense and immersive team battles. In addition, on top of the comic style that *Rakshasa Street: Chosen One* (鎮魂街:天生為王) is based on, the game also incorporates fashionable elements to create a mysterious and distinctive game world. The game started pre-orders on the TapTap platform in December 2020, and ranked second in the pre-order list on the day it hit the shelves.

Swallowed Star: Dawn (吞噬星空:黎明)

Based on the famous novel *Swallowed Star* (吞噬星空) on Qidian (起點) and officially licensed by China Literature Limited (閱文集團), this game is an oriental science fiction card game that combines cyberpunk and post-apocalyptic wasteland themes. The animation of *Swallowed Star* (吞噬星空) is produced by the top animation production team from Hangzhou Xuanji Technology Co., Ltd. (杭州玄機科技股份有限公司). Currently, 15 episodes have been released on the Tencent Video Platform with close to 600 million views, showing a strong fan base compared to other mainstream domestic animation IPs.

The mobile game of *Swallowed Star: Dawn* (吞噬星空:黎明) follows the setting of the original novel. With its high-quality and realistic character models, delicate and magnificent scenes, combined with spectacular and exciting skill animation, this game, being the only existing licensed mobile game of the IP, will be another well-polished masterpiece produced by the Group.

Cultivation Fantasy (我的御劍日記)

Cultivation Fantasy (我的御劍日記) is an idle mobile card game and the brainchild of the core research and development team, which was led by Cheng Liangqi (程良奇), the famed producer of Love Games, a company strategically invested by the Group.

The game is based on the world of cultivating immortals and focuses on long-term player retention. *Cultivation Fantasy* (我的御劍日記) is scheduled to launch this year, and it is expected that the game will be an important product with stable long-term operation for the Group.

In 2021, the self-publishing business in Hong Kong, Macau, Taiwan and overseas markets will be a strong growth point for the Group's results. In January 2021, the Group launched *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) in Hong Kong, Macau and Taiwan, and it ranked first on the Top Free Games List of Apple's App Store in Hong Kong, Macau and Taiwan on the first day of its launch. According to the statistics from App Annie, an authoritative third party institution, the game's launch in Hong Kong, Macau and Taiwan, it ranked first in the sales rankings of both Apple's App Store and Google Play Store in all three locations in the first month of its launch and was recommended multiple times on both Apple's App Store and Google Play Store. In 2021, the Group plans to successively launch various new games in Hong Kong, Macau, Taiwan and the foreign market, including *Soul Land: God of Battle Arise* (斗羅大陸:鬥神再臨), *Rakshasa Street: Chosen One* (鎮魂街:天生為王), *Dynasty Warriors: Hegemony* (真·三國無雙霸), *Legend of Sword and Fairy 7* (仙劍奇俠傳7), *Valonia & Puzzles* (瓦諾尼亞與謎題), *Ultimate Judge: Bao Qingtian* (包青天), *Doomsday Chariots* (末世戰車), *Sword and Fairy – the Magnificence* (仙劍奇俠傳:九野) and *Hua Jiang Hu: Bei Mo Ting* (畫江湖之杯莫停).

The Group will continue to invest in the business of developing games itself and expects continuous rapid growth in revenue derived from such business. In 2021, the Group launched the mobile game version of the new game *Sword and Fairy-the Magnificence* (仙劍奇俠傳:九野), which was self-developed by the Group's subsidiary, Shanghai Softstar. The Group plans to continue to launch a number of new in-house developed games, including a number of MMORPG mobile games such as *Code: Dawn* (代號:開天), a number of H5 games such as *The Lord of Sabuk* (沙城霸主) and *Code: Blood* (代號:血飲), and a number of PC page games such as *Code: State* (代號:國度), which will be self-developed by Wenmai Hudong, a wholly-owned subsidiary of the Group. In 2021, Wenmai Hudong will establish a new research and development team to pursue projects other than The Legend of Mir type games, such as the research and development of card and simulation games. Beijing Softstar, a subsidiary, will launch the self-developed PC game *Legend of Sword and Fairy 7* (仙劍奇俠傳7) and the Switch version of *Monopoly 10* (大富翁10) within this year. Shanghai Softstar, a subsidiary, will also launch a next generation card game, which is expected to be launched in the first half of 2022. The Group will continue to increase its investment in research and development in 2021 to enhance the Group's competitiveness in research and development by establishing research and development workshops in collaboration with experienced research and development producers. It is expected that in 2021, the number of research and development personnel of the Group will nearly be doubled as compared to that in 2020, reaching approximately 800.

It is expected that products cooperating with top traffic platforms and developers will substantially increase the revenue of the Group. The IP-based games *One Piece: The Voyage* (航海王熱血航線) and *The King of Fighters: All Stars* (全明星激鬥), which are exclusively published by Beijing Nuverse Information Technology Co., Ltd. (北京朝夕光年信息技術有限公司) ("**Nuverse**") under ByteDance Ltd. (字節跳動有限公司) ("**ByteDance**"), are available for pre-order on Apple's App Store, and are expected to be launched in the first half of 2021. In terms of *The King of Fighters: All Stars* (全明星激鬥), the parties will also cooperate to launch the game in multiple countries and regions around the world in the future. *Dynasty Warriors: Hegemony* (真·三國無雙霸), an official *Dynasty Warriors* mobile game developed by EZfun, a research and development company invested in by the Group, and exclusively published by Tencent Games, has begun pre-orders and was pre-ordered by over 4 million players on Tencent Gaming Platform, and is expected to officially launch during 2021.

In terms of IP operation, the popularity and influence of the Group's proprietary IP will further increase. Over the years, the *Legend of Sword and Fairy* series (仙劍系列) has gained a lot of popularity in respect of its games, movies and dramas, animations and merchandise. In 2021, the Group will launch multiple animations, movies and dramas projects, including comics, animated series and animated movies. In the future, the Group will extend dissemination on new media platforms, such as Douyin (抖音), Kuaishou (快手) and Bilibili.

The Group will further strengthen its IP upstream environment and IP development and adaptation ability. In 2021, the Group will continue to invest in IP resources, famed producers and quality developers, in order to provide strong support for the Group's ecosystem of IP-based games. The Group will also continue to strengthen its self-developing structure by focusing on vertical runways for quality development teams. The Group will actively enhance its integrated self-development and operation abilities through shareholding, acquisitions and mergers.

All members of the Group will uphold the Group's mission of "creating quality products with passion" (用熱愛鑄造精品), fully committing to becoming a company full of passion and creativity, so that the Group will grow at an even faster rate in the next ten years! We believe that the passionate employees of the Group, with their ultimate craftsmanship and unlimited imagination, will create many quality games that amaze both players and the world, becoming a responsible practitioner and a promoter of cultural values. Thanks to Shareholders and investors for your consistent support!

By order of the Board
XIAO Jian
Chairman

Hong Kong, 24 March 2021

Review of 2020

Record high revenue from IP-based games. As of 31 December 2020, the Group had a vast IP reserve of a total of 110 IPs, comprising 42 licensed IPs and 68 proprietary IPs. Statistics from Analysys (易觀智庫) shows that, as of 31 December 2020, the Group had the largest amount of IP reserve among game group companies in the PRC (with principal business as gaming) and launched the largest amount of mobile IP-based games among game companies in the PRC. The Group's commitment to its six major development strategies, namely "IP focus, high-quality, integrated research and operation, ecosystem, globalisation and branding" (IP化、精品化、研運一體化、生態化、全球化和品牌化), as well as the Group's effort in creating a highly competitive IP-based game ecosystem, are the material reasons for its rapid growth in 2020.

The table below sets forth the Group's revenue and gross billings derived from its IP-based games and non-IP based games for the years indicated:

	For the year ended 31 December			
	2020		2019	
	Revenue RMB'000	Gross billings RMB'000	Revenue RMB'000	Gross billings RMB'000
IP-based games				
(i) licensed and proprietary IPs held by the Group	**2,215,988**	**2,501,967**	1,561,002	1,995,479
(ii) IPs held by game developers	**423,520**	**555,892**	54,219	115,012
Non-IP based games	**1,180,818**	**1,420,155**	1,421,080	1,654,613
Total	**3,820,326**	**4,478,014**	3,036,301	3,765,104

The Group is committed to creating a highly competitive IP-based game ecosystem. During the year ended 31 December 2020, revenue generated from the Group's IP-based games amounted to RMB2,639.5 million, representing a year-on-year increase of approximately 63.4% and 69.1% of the total revenue. Apart from proprietary IPs, the Group also obtained the licenses for many selected authorised IPs from third parties. Newly licensed IPs obtained in 2020 included *Swallowed Star* (吞噬星空), *Rakshasa Street* (鎮魂街), *Soul Land* (斗羅大陸), *the Condor Trilogy* (射鵰三部曲); *Romance of the Three Kingdoms: The Legend of Cao Cao* (三國志曹操傳); *Drawing Sword* (亮劍), etc. Building on the Group's licensed and proprietary IPs, the Group expects to launch various popular mobile games in 2021, including *Soul Land: God of Battle Arise* (斗羅大陸: 鬥神再臨), *Rakshasa Street: Chosen One* (鎮魂街:天生為王), *Swallowed Star: Dawn* (吞噬星空:黎明), *Legend of Sword and Fairy 7* (仙劍奇俠傳7), *New Romance of the Three Kingdoms: Legend of Cao Cao* (新三國志曹操傳) and *Drawing Sword: My Individual Team* (亮劍:我的獨立團).

A significant increase in the number of registered users in 2020.

The following table sets forth the key performance indicators, namely, (i) average MAUs; (ii) average MPUs; (iii) ARPPU; and (iv) total new registered users of the Group for the years indicated:

	For the year ended 31 December	
	2020	2019
Average MAUs *(thousands)*	**18,483**	15,931
Average MPUs *(thousands)*	**1,414**	1,200
ARPPU *(RMB)*	**228.8**	210.8
Total new registered users *(thousands)*	**101,624**	85,713

With the Group's distinguished game operation ability and continuously launching new games that are popular among players in the market, the Group had approximately 101.6 million newly registered users in 2020, representing a year-on-year increase of approximately 18.6% as compared to 85.7 million newly registered users in 2019. As of 31 December 2020, the accumulated registered users of the Group reached 410.0 million.

The Group has an extensive mobile game portfolio which drives the stable growth of its game publishing business. In 2020, the Group newly launched 38 games of a wide variety of genres and gameplay. As at 31 December 2020, 81 games were available for download on application stores and publishing platforms. Among newly launched games during the year, *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) performed well, ranking first and fifth on the Top Free Games List and Best Selling Games List of Apple's App Store in Mainland China in the first month of its launch according to the statistics from App Annie, an authoritative third party institution, while also ranked first in the Top Free Games List of Apple's App Store on the first day of its launch in Hong Kong, Macau an Taiwan. According to the statistics from App Annie, the game ranked first in the Best Selling Games List of both Apple's App Store and Google Play Store in the first month of its launch in Hong Kong, Macau and Taiwan. The mobile game of *Reborn!* (家庭教師) ranked second on the Top Free Games List of Apple's App Store in Mainland China in the first month of its launch, and ranked first on the Download List of Apple's App Store on the first day of its launch in Hong Kong, Macau and Taiwan. *Xuan Yuan Sword – the Origin* (軒轅劍:劍之源) ranked second on the Top Free Games List of Apple's App Store in Mainland China in the first month of its launch.

Multiple games launched by the Group in prior years, such as *One Piece – the Road of the Strong* (航海王強者之路), *Dragon Ball – Awakening* (龍珠覺醒), *The National Gunlord–The Frontier* (全民槍神:邊境王者) and *The Story of the Flying Mortal H5* (凡人飛仙傳H5), continued to generate robust revenue. Benefited from the outstanding operation ability, as at 31 December 2020, 15 of the Group's games in operation had a lifecycle of over three years.

As a result of the Group's extensive game portfolio and market performance, for the year ended 31 December 2020, revenue derived from the Group's game publishing business reached RMB2,977.9 million, representing a year-on-year increase of 16.6%.

Game development business is one of the fastest growing businesses in the Group. *World of Legend – Thunder Empire* (傳奇世界之雷霆霸業), a mobile game developed in-house by the Group's wholly-owned subsidiary, Wenmai Hudong, which possessed with stable and strong research and development ability, maintained over a million average MAUs despite being launched for over two years and recorded peak gross billing in a single month of RMB107.7 million in the year during the reporting period indicated, achieving outstanding performance. In 2020, the new generation mobile game *Legend of Dragon City* (龍城傳奇) developed by the original development team of *World of Legend-Thunder Empire* (傳奇世界之雷霆霸業), has gained great popularity in the market of its launch. The PC web game developed by Wenmai Hudong, *Demon Rebirth* (魔域覺醒), ranked first in terms of new game recommendation on the wan.360.cn game platform after its launch. The total sales volume of *Monopoly 10* (大富翁10), a game developed by Beijing Softstar, a subsidiary of the Group, on the STEAM platform has reached 700,000 copies as of 28 February 2021. The PC version of *Legend of Sword and Fairy – the Magnificence* (仙劍奇俠傳:九野), developed by the Group's subsidiary Shanghai Softstar, was listed as a recommended game on the STEAM platform in the month of its launch. *Joy of Mahjong* (歡樂真人麻將), a game developed internally by the Group's card and board game workshop, ranked second in the Best Selling Mahjong, Card and Board Games List on Huawei, OPPO, VIVO and other channels after its launch in 2020, with an average monthly gross billing of RMB20 million.

With the continuous and stable performance of the Group's various self-developed games launched in previous years, as well as the outstanding performance of its newly launched self-developed games, for the year ended 31 December 2020, revenue derived from the Group's game development business reached RMB730.3 million, representing a year-on-year increase of 73.4%.

The Group maintained smooth cooperation with top domestic traffic platforms. *Monster List: Past and Present Lives* (妖怪名單之前世今生), a domestic comic IP-based card and tower defense mobile game that was jointly developed by the Group and exclusively published by Tencent Games, was launched on 25 September 2020. The game ranked second in the Top Free Games List of Apple's App Store on the first day after its launch. The IP-based games *One Piece: The Voyage* (航海王熱血航線) and *The King of Fighters: All Stars* (全明星激鬥), which are exclusively published by Nuverse under ByteDance, have performed multiple beta tests and are available for pre-order. They are expected to officially launch in the first half of 2021. The Group and Nuverse collaborated in launching the mobile game *King of Fighters: All Stars* (全明星激鬥), in multiple countries and regions around the globe, with the aim of enhancing the revenue of the Group. *Dynasty Warriors: Hegemony* (真·三國無雙霸), an official Dynasty Warriors mobile game exclusively published by Tencent Games, and developed by EZfun, a research and development company invested by the Group, has begun pre-ordered on Tencent Gaming Platform and is already pre-ordered by over 4 million of players. It is expected to officially launch in the year of 2021.

The Group's IP operation and licensing business achieved excellent results. In terms of IP operation, the Group strengthened its effort on proprietary IP operation, with a continued focus on enriching the IP's universe, increasing the IP's popularity and developing the merchandise of the IP. 2020 is the 25th anniversary of the *Legend of Sword and Fairy* game series. The Group officially began development of the literature of the *Legend of Sword and Fairy Universe* (仙劍大宇宙) and establish a complete and rich worldview of the *Legend of Sword and Fairy*. In July of the same year, the Tmall shop of *Legend of Sword and Fairy* officially began operation, which generated merchandise sales amounted to over RMB5 million in 2020. Benefited from the large scale events related to the 25th anniversary of the *Legend of Sword and Fairy* in 2020 throughout the year, revenue derived from the Group's IP licensing business substantially increased. For the year ended 31 December 2020, revenue derived from the Group's IP licensing business and IP game operating right licences reached RMB112.1 million, representing a year-on-year increase of 81.3%.

The Group's strategic investments in developers will be a strong backbone for the Group's IP-based games ecosystem. Integrated research and operation is the development strategy that the Group has always adhered to, and it has continuously improved its business capabilities in the whole process of research and development, distribution and operation. The Group has been actively constructing the research and development ecology of the Group. As of 31 December 2020, the Group directly invested in over 20 game developers including quality developers namely Shenzhen Sparks Interactive Entertainment Co., Ltd. (深圳市火花幻境互動娛樂有限公司), Shanghai Fengguo Network Information (上海蜂果網絡科技有限公司), Shanghai Langkun Digital Technology. Co., Ltd. (上海朗鵾數碼科技有限公司), Chengdu Jumeng Tianxia Technology Co., Ltd. (成都聚夢天下科技有限公司). In 2020, the Group invested in three developers, namely Love Games, EZfun and Huanyu Jiuzhou. Among them, there were a number of production teams with more than RMB1 billion successful projects experiences. The above investments have enhanced the Group's production and supply ability in the card, Dynasty Warriors type ARPG, tower defense and SLG game market, facilitating the sustainable development of the Group's research and development and publishing businesses. Furthermore, the Group has paid attention to the trend of cloud games since 2019, the Group has completed the Pre-A series investment in Weiling Times, a cloud gaming technology service provider. The cloud demo of *Legend of Sword and Fairy 7* (仙劍奇俠傳7) jointly launched by both parties was acclaimed in the market. The good cooperation between the Group and the invested developers also led to the continuous improvement of the results of the companies being invested. With the changing market environment, domestic game developers with quality content have become more attractive to the capital market. The Group's investment in Love Games received a strategic investment from Tencent, and Weiling Times received a new round of financing from Zhejiang Chuangxiang Cultural Industry Equity Investment Fund (浙江創想文化產業股權投資基金) and Shanghai miHoYo (上海米哈遊), which demonstrated that the Group's long-standing strategy of investing in quality developers has paid off.

In addition to investing in game developers, the Group also maintained close ties with pan-entertainment industries such as IP rights and IP platforms, communications industry and other emerging technology industries through CPC Fund (國宏嘉信資本) and Fontaine Capital Fund L.P. to establish opportunities for further collaborations or achieve synergies.

As a result of the above factors, the Group's fair value gains on financial assets at fair value through profit or loss increased to RMB295.9 million in 2020 as compared to that in 2019.

The Group received the following awards and recognitions for the quality and popularity of its games and services during the year:

Award/Recognition	Year of Award	Awarding Institution/Authority
Guangdong Top 500 Enterprise 2020 (2020廣東企業500強)	2021	Enterprise Association of Guangdong (廣東省企業聯合會) and Entrepreneur Association of Guangdong (廣東省企業家協會)
Top 100 Innovative Enterprises in Guangdong 2020 (2020廣東創新企業100強)	2021	Enterprise Association of Guangdong (廣東省企業聯合會) and Entrepreneur Association of Guangdong (廣東省企業家協會)
Quamnet Qutstanding Enterprise Awards 2020 — Best TMT Company (華富財經傑出企業大獎2020－最佳TMT公司)	2021	Quamnet (華富財經網)

Award/Recognition	Year of Award	Awarding Institution/Authority
Shenzhen Top 500 Enterprise 2020 (2020深圳500強企業)	2020	Enterprise Association of China (中國企業聯合會), Entrepreneur Association of China (中國企業家協會), Enterprise Association of Shenzhen (深圳市企業聯合會) and Entrepreneur Association of Shenzhen (深圳市企業家協會)
Top Twenty Socially Responsible Enterprises in the Gaming Industry (中國遊戲企業社會責任二十佳企業)	2020	People's Daily Online (人民網)
TOP 10 Best Performing Gaming Enterprises in Social Responsibility (社會責任履行狀況良好TOP 10遊戲企業)	2020	CNG's Corporate Social Responsibility Report on the Gaming Industry of China 2020 (伽馬《2020年中國遊戲產業企業社會責任調查報告》)
"Golden Diamond Award" as Most Influential Enterprise of 2020 (金鑽獎2020最具影響力企業)	2020	Association of Game Industry of Guangdong (廣東省遊戲產業協會)
"Golden Plume Award" as Most Influential Mobile Game Publisher (金翎獎最具影響力移動遊戲發行商)	2020	Beijing Hanwei Xinheng Culture and Communication Co., Ltd. (北京漢威信恒文化傳播有限公司)
"Golden i Award" as Best Innovative Enterprise in the Gaming Industry 2020 (金i獎2020年度遊戲行業創新型企業)	2020	China Internet Week published by the Chinese Academy of Sciences (中國科學院《互聯網週刊》), IT Research Centre under Chinese Academy of Social Sciences (中國社會科學院信息化研究中心), eNet Research Centre (eNet研究院) and Deben Consultation (Beijing) Co., Ltd. (德本諮詢（北京）有限公司)
"Golden Finger Award 2020" as Outstanding Enterprise in the Chinese Game Industry of 2020 (2020年度中國遊戲行業「金手指」獎：2020年度中國遊戲行業優秀企業)	2020	China Culture & Entertainment Industry Association (中國文化娛樂行業協會)
"Voyager Award" as Top 10 Foreign Cultural Export Enterprise 2020 (揚帆獎 2020十佳海外文化輸出廠商)	2020	Independent Voyage Union (獨立出海聯合體)
"Golden i Award" as IT Enterprise with the Highest Investment Value 2020 (金i獎2020最具投資價值科技企業)	2020	China Internet Week published by the Chinese Academy of Sciences (中國科學院《互聯網週刊》), IT Research Centre under Chinese Academy of Social Sciences (中國社會科學院信息化研究中心), eNet Research Centre (eNet研究院) and Deben Consultation (Beijing) Co., Ltd. (德本諮詢（北京）有限公司)
2020 Cailian Press Investment Summit•New Economic Peak Forum: Listed Company with the Highest Investment Value in the New Economy of the PRC in 2020 (2020年財聯社投資峰會 • 新經濟高峰論壇：2020中國新經濟「最具投資價值上市公司」)	2020	cailianpress.com (財聯社)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

The following table sets forth the comparative figures for the years ended 31 December 2019 and 2020:

	For the year ended 31 December	
	2020 RMB'000	2019 RMB'000
Revenue	**3,820,326**	3,036,301
Cost of sales	**(2,597,062)**	(1,953,103)
Gross profit	**1,223,264**	1,083,198
Other income and gains	**389,172**	95,404
Selling and distribution expenses	**(341,497)**	(230,321)
Administrative expenses	**(403,593)**	(577,451)
Impairment losses on financial and contract assets, net	**(52,290)**	(13,929)
Other expenses	**(50,450)**	(6,622)
Finance costs	**(35,228)**	(15,072)
Share of profits/(losses) of a joint venture	**15**	(2,116)
Share of profits and losses of associates	**(12,591)**	10,532
Profit before tax	**716,802**	343,623
Income tax expense	**(26,602)**	(100,410)
Profit for the year	**690,200**	243,213
Attributable to owners of the parent	**701,319**	248,348
Attributable to non-controlling interests	**(11,119)**	(5,135)
Adjusted net profit	**806,950**	611,007

Adjusted net profit

The table below sets forth a quantitative reconciliation of the Group's adjusted net profit for the years indicated:

	For the year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Profit for the year attributable to owners of the parent	**701,319**	248,348
Add:		
(i) Equity-settled share-based expense	**105,631**	328,088
(ii) Listing expenses	**—**	34,571
Adjusted net profit	**806,950**	611,007

Revenue

The Group's revenue increased by approximately 25.8% from RMB3,036.3 million for the year ended 31 December 2019 to RMB3,820.3 million for the year ended 31 December 2020.

Revenue by category:

	For the year ended 31 December			
	2020		2019	
	RMB'000	**%**	RMB'000	%
Game publishing	**2,977,901**	**78.0**	2,553,189	84.1
Game development	**730,301**	**19.1**	421,254	13.9
Licensing of intellectual property	**112,124**	**2.9**	61,858	2.0
Total	**3,820,326**	**100.0**	3,036,301	100.0

(i) An increase in the Group's game publishing revenue by approximately 16.6% from RMB2,553.2 million for the year ended 31 December 2019 to RMB2,977.9 million for the year ended 31 December 2020, primarily as a result of the games published in previous years, such as *The World of Legend – Thunder Empire* (傳奇世界之雷霆霸業), *One Piece – the Road of the Strong* (航海王強者之路), *The National Gunlord – The Frontier* (全民槍神:邊境王者) and *The Story of the Flying Mortal H5* (凡人飛仙傳H5), demonstrating great vitality, particularly *The World of Legend – Thunder Empire* (傳奇世界之雷霆霸業) with its strong and continuously sound performance. *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心), the game newly published by the Group during the year, was widely loved and welcomed by its players after its launch, which drove the revenue of the Group to a new height.

Due to the impact of COVID-19, the IP editorial supervision progress of the Group's cooperations with top traffic platforms in the country in regard to *One Piece: The Voyage* (航海王熱血航線), *The King of Fighters: All Stars* (全明星激鬥), and *Dynasty Warriors: Hegemony* (真·三國無雙霸) were delayed, and the launch of the games has been postponed to the year of 2021. All three games have now completed their development and entered the final testing stage before launch, with impressive testing figures. Among which, *One Piece: The Voyage* (航海王熱血航線) recorded an outstanding performance in paid and closed beta test in November 2020 of over 70% of the day 1 retention ratio and 40% of the day 7 retention ratio. The game is now available for pre-order on the Apple's App Store and final beta test was commenced on 25 February 2021.

(ii) An increase in the Group's game development revenue by approximately 73.4% from RMB421.3 million for the year ended 31 December 2019 to RMB730.3 million for the year ended 31 December 2020, with its proportion in the total revenue for the year ended 31 December 2020 further increased to 19.1%, primarily as a result of the stable performance of *The World of Legend – Thunder Empire* (傳奇世界之雷霆霸業) developed by Wenmai Hudong, a wholly-owned subsidiary of the Group, and the strong market performance of *Legend of Dragon City* (龍城傳奇), which was a new generation game developed by the same development team and launched during 2020.

(iii) An increase in the Group's licensing of intellectual property revenue by approximately 81.3% from RMB61.9 million for the year ended 31 December 2019 to RMB112.1 million for the year ended 31 December 2020, primarily as a result of the Group licensing of several proprietary IPs to third parties, including *Xuan Yuan Sword series* (軒轅劍系列) and *Legend of Sword and Fairy series* (仙劍奇俠傳系列).

Cost of sales

The Group's cost of sales consists primarily of (i) commissions charged by channels; (ii) amortisation of royalties from games and famous IPs held by third-party game developers and the Group; (iii) commissions charged by IPs; and (iv) game development costs. The table below sets forth the Group's cost of sales by category, and its contribution to the total revenue of the Group as a percentage, for the years indicated:

	For the year ended 31 December			
	2020		2019	
	RMB'000	**% to Revenue**	RMB'000	% to Revenue
Commissions charged by channels	**2,430,032**	**63.6**	1,841,842	60.7
Amortisation of game royalties	**24,777**	**0.6**	15,327	0.5
Amortisation of software copyrights	**28,042**	**0.7**	28,042	0.9
Amortisation of IP royalties	**25,771**	**0.7**	12,714	0.4
Commissions charged by IPs	**40,483**	**1.1**	21,885	0.7
Game development costs	**15,400**	**0.4**	27,120	0.9
Others	**32,557**	**0.9**	6,173	0.2
Total	**2,597,062**	**68.0**	1,953,103	64.3

The Group's cost of sales increased by 33.0% from RMB1,953.1 million for the year ended 31 December 2019 to RMB2,597.1 million for the year ended 31 December 2020. This increase was primarily attributable to (i) an increase in the Group's revenue; and (ii) *The World of Legend – Thunder Empire* (傳奇世界之雷霆霸業), the game with the highest revenue during the reporting period, was published by cooperative publishing channels during its stable operation, resulting in an increase in the Group's revenue sharing with publishing channels.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by 12.9% from RMB1,083.2 million for the year ended 31 December 2019 to RMB1,223.3 million for the year ended 31 December 2020. The Group's gross profit margin decreased from 35.7% for the year ended 31 December 2019 to 32.0% for the year ended 31 December 2020.

Other income and gains

The Group's other income and gains consist primarily of (i) fair value gains on financial assets at fair value through profit or loss; and (ii) gains on disposal of investments in associates. The table below sets forth the Group's other income and gains by category for the years indicated:

	For the year ended 31 December			
	2020		2019	
	RMB'000	**%**	RMB'000	%
Bank interest income	**21,202**	**5.4**	6,001	6.3
Government grants	**22,008**	**5.7**	12,428	13.0
Other interest income from financial assets	**11,063**	**2.8**	—	—
Dividend income from financial assets at fair value through profit or loss	**—**	**—**	12,588	13.2
Fair value gains on financial assets at fair value through profit or loss	**295,899**	**76.0**	12,772	13.4
Gains on disposal of investments in associates	**33,471**	**8.6**	38,443	40.3
Gains on disposal of financial assets at fair value through profit or loss	**84**	**0.1**	—	—
Gain on disposal of items of other intangible assets	**—**	**—**	3,062	3.2
Others	**5,445**	**1.4**	10,110	10.6
Total	**389,172**	**100.0**	95,404	100.0

The Group's other income and gains increased by 307.9% from RMB95.4 million for the year ended 31 December 2019 to RMB389.2 million for the year ended 31 December 2020. The increase was mainly due to: (i) the Group's investment in Love Games received a strategic investment from Tencent, and Weiling Times received a new round of financing from Zhejiang Chuangxiang Cultural Industry Equity Investment Fund (浙江創想文化產業股權投資基金) and Shanghai miHoYo (上海米哈遊); (ii) various projects invested by CPC Fund (國宏嘉信資本) and Fontaine Capital Fund L.P., which were invested by the Group as limited partner, recorded increase in fair value; (iii) various research and development companies invested by the Group recorded an increase in fair value due to its on-going growth in performance; and (iv) the disposal of the equity or part of the equity in associates recorded gains.

Selling and distribution expenses

The table below sets forth the Group's selling and distribution expenses by category, and its contribution to the total revenue of the Group as a percentage, for the years indicated:

	For the year ended 31 December			
	2020		2019	
	RMB'000	% to Revenue	RMB'000	% to Revenue
Marketing expenses	297,471	7.8	183,414	6.0
Salaries and welfare	40,261	1.0	43,513	1.4
Office costs and utilities	3,131	0.1	2,968	0.1
Others	634	0.0	426	0.1
Total	341,497	8.9	230,321	7.6

The Group's selling and distribution expenses increased by 48.3% from RMB230.3 million for the year ended 31 December 2019 to RMB341.5 million for the year ended 31 December 2020. This increase was primarily attributable to (i) an increase in the Group's total revenue; and (ii) the large scale promotion in relation to the Group publishing *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) in the second half of 2020.

Administrative expenses

The Group's administrative expenses consist primarily of (i) research and development expenses; and (ii) salaries and welfare. The table below sets forth the Group's administrative expenses by category, and its contribution to the total revenue of the Group as a percentage, for the years indicated:

	For the year ended 31 December			
	2020		2019	
	RMB'000	% to Revenue	RMB'000	% to Revenue
Research and development expenses	208,630	5.5	160,829	5.3
Salaries and welfare	151,998	4.0	343,407	11.3
Office costs and utilities	38,878	1.0	35,944	1.2
Listing expenses	—	—	34,571	1.1
Others	4,087	0.1	2,700	0.1
Total	403,593	10.6	577,451	19.0

The Group's administrative expenses decreased by 30.1% from RMB577.5 million for the year ended 31 December 2019 to RMB403.6 million for the year ended 31 December 2020. Despite the Group has increased its investment in research and development, resulting in an increase of 29.7% in research and development expenses from RMB160.8 million for the year ended 31 December 2019 to RMB208.6 million for the year ended 31 December 2020, the equity-settled share-based expense allocated to the management and administrative departments decreased during the reporting period, resulting in a decrease of 55.7% in salaries and welfare from RMB343.4 million for the year ended 31 December 2019 to RMB152.0 million for the year ended 31 December 2020.

Impairment losses on financial and contract assets, net

The Group's impairment losses on assets represent the impairment loss of trade receivables. The Group's impairment losses on financial assets increased by 275.4% from RMB13.9 million for the year ended 31 December 2019 to RMB52.3 million for the year ended 31 December 2020 under the relevant management policies of the Group adopted in accordance with HKFRS 9. For further details, please see note 20 to this annual report.

Other expenses

The Group's other expenses increased by 661.9% from RMB6.6 million for the year ended 31 December 2019 to RMB50.5 million for the year ended 31 December 2020. The increase was primarily attributable to (i) the increase by RMB15.9 million in the fair value adjustment recognised in respect of the consideration payable by the Group for acquisition of Wenmai Hudong for the year ended 31 December 2020 as compared to that of the year ended 31 December 2019; (ii) the increase in the impairment loss on assets of RMB9.8 million recognised in relation to the termination of a number of games; (iii) the recognition of an impairment of goodwill of RMB10.7 million for the year ended 31 December 2020; and (iv) the increase of RMB6.8 million in exchange losses.

Finance costs

The Group's finance costs mainly consist of interest expenses, which increased by approximately 133.7% from RMB15.1 million for the year ended 31 December 2019 to RMB35.2 million for the year ended 31 December 2020, mainly due to the increase in interest-bearing bank borrowings during the year.

Share of profits of a joint venture

As at 31 December 2020, the Group held a 60% equity interest in Shenzhen Boliang Technology Co., Ltd. (深圳博良科技有限公司), which is considered as a joint venture of the Group under applicable accounting policies.

The Group's share of profits of a joint venture rebounded from a loss of RMB2.1 million for the year ended 31 December 2019 to a profit of RMB15 thousand for the year ended 31 December 2020, primarily attributable to the turnaround from loss to profit for Shenzhen Boliang Technology Co., Ltd. during the reporting period.

Share of profits and losses of associates

The Group's share of profits and losses of associates changed from a profit of RMB10.5 million for the year ended 31 December 2019 to a loss of RMB12.6 million for the year ended 31 December 2020.

Profit before tax

As a result of the foregoing, the Group's profit before tax increased by 108.6% from RMB343.6 million for the year ended 31 December 2019 to RMB716.8 million for the year ended 31 December 2020.

Income tax expense

The Group's income tax expense decreased by 73.5% from RMB100.4 million for the year ended 31 December 2019 to RMB26.6 million for the year ended 31 December 2020, mainly because (i) a deferred tax credit of RMB20.5 million was provided for the year ended 31 December 2020; and (ii) certain subsidiaries in Mainland China were able to enjoy a preferential Corporate Income Tax rate for the year ended 31 December 2020.

Profit for the year

As a result of the foregoing, the Group's profit for the year increased by 183.8% from RMB243.2 million for the year ended 31 December 2019 to RMB690.2 million for the year ended 31 December 2020.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2020, the Group funded its cash requirements principally from cash generated from its operating activities and financing activities. The Group had cash and cash equivalents of RMB771.1 million and RMB794.9 million as at 31 December 2019 and 2020, respectively. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash which are not restricted as to use.

The Group generally deposits its excess cash in its interest-bearing bank accounts and current accounts. The Group believes that its liquidity requirements will be satisfied by using a combination of (i) cash generated from its operating activities; (ii) bank borrowings; (iii) other funds raised from the capital markets from time to time; and (iv) the net proceeds received from the Listing and a top-up placing. The Group currently does not have any plans for material additional external financing.

Financing activities

On 4 December 2020, the Company issued 180,000,000 Shares in connection with a top-up placing (the "**Top-up Placing**") at a price of HK$3.02 per Share. Upon completion of the Top-up Placing, the Company raised net proceeds of approximately HK$536.8 million.

Cash flow

The table below sets forth a summary of the Group's cash flows for the years indicated:

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net cash flows from operating activities	**623,520**	310,398
Net cash flows used in investing activities	**(884,682)**	(1,318,944)
Net cash flows from financing activities	**329,680**	1,634,595
Net increase in cash and cash equivalents	**68,518**	626,049
Cash and cash equivalents at beginning of year	**771,090**	144,445
Effect of foreign exchange rate changes, net	**(44,720)**	596
Cash and cash equivalents at end of the year	**794,888**	771,090

Net cash flows from operating activities

For the year ended 31 December 2020, the Group recorded net cash from its operating activities of RMB623.5 million, which was primarily attributable to the Group's profit before taxation of RMB716.8 million, primarily adjusted by (i) equity-settled share-based expense of RMB105.6 million; (ii) amortisation of other intangible assets of RMB79.4 million; (iii) gains on disposal of investments in associates of RMB33.5 million; (iv) fair value gains on financial assets at fair value through profit or loss of RMB295.9 million; and (v) depreciation of right-of-use assets of RMB21.9 million. Movements in working capital contributed a net cash outflow of RMB116.1 million, consisting of (a) an increase in trade receivables of RMB144.8 million; (b) an increase in prepayments, other receivables and other assets of RMB130.1 million; (c) an decrease in amounts due from related parties of RMB6.7 million; (d) an increase in trade payables of RMB109.3 million; (e) an increase in other payables and accruals of RMB80.7 million; (f) a decrease in amounts due to related parties of RMB1.5 million; and (g) income tax paid of RMB36.4 million.

Net cash flows used in investing activities

For the year ended 31 December 2020, the Group recorded net cash used in investing activities of RMB884.7 million, which was primarily attributable to (i) purchases of financial assets at fair value through profit or loss of RMB370.6 million; (ii) additions to other intangible assets of RMB120.6 million; (iii) increase in pledged time deposits of RMB392.9 million; (iv) acquisition of subsidiaries, namely Wenmai Hudong and Beijing Softstar, of RMB200.0 million; and (v) decrease in deposit in a financial institution for asset management of RMB209.3 million.

Net cash flows from financing activities

For the year ended 31 December 2020, the Group recorded net cash flows from financing activities of RMB329.7 million, which was primarily attributable to (i) proceeds from issue of Shares of RMB459.4 million; and (ii) new bank and other borrowings obtained by the Group of RMB451.4 million, partially offset by, among others, (iii) share issue expenses of RMB10.0 million; (iv) dividends paid of RMB75.4 million; and (v) repayment of bank borrowings of RMB442.0 million.

Indebtedness

For the year ended 31 December 2020, the Group obtained bank and other borrowings of RMB451.4 million and repaid bank borrowings of RMB442.0 million.

As at 31 December 2020, the Group had interest-bearing bank and other borrowings of RMB451.4 million (2019: RMB442.0 million), including (i) bank borrowings amounting to RMB307.2 million, secured by the pledge of the Group's time deposits in the sum of RMB347.6 million, and (ii) a borrowing amounting to RMB25.0 million, secured by a computer software copyright. The effective interest rates on the Group's secured bank and other borrowings ranged from 4.35% to 4.96%, and the Group's unsecured bank borrowings from 4.50% to 5.00%.

As at 31 December 2020, the lease liabilities of the Group were RMB27.6 million (2019: RMB33.7 million).

Off-balance sheet commitments and arrangements

As at 31 December 2020, the Group did not enter into any off-balance sheet transactions (2019: Nil).

KEY FINANCIAL METRICS

The table below sets forth the Group's key financial metrics for the years indicated:

	For the year ended/ as at 31 December	
	2020	2019
Current ratio (times) [(1)]	**2.1**	2.0
Gearing ratio [(2)]	**9.4%**	11.9%
Gross profit margin	**32.0%**	35.7%

Notes:

(1) Current ratio is the Group's current assets divided by its current liabilities as at the end of each financial year.

(2) Gearing ratio is total debt divided by total equity as at the end of each financial year. Total debt equals to the Group's total interest-bearing bank and other borrowings.

CAPITAL EXPENDITURES

The Group's historical capital expenditures primarily included royalties paid to game developers and IP owners. The Group funded its capital expenditure requirements during the year ended 31 December 2020 mainly with its internal resources.

The Group's capital commitments as at 31 December 2019 and 2020 amounted to RMB41.3 million and RMB43.7 million, respectively. The Group's capital commitments as at 31 December 2020 were for the purchase of IP and game licenses and equity investment.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS OR DISPOSAL

During the year ended 31 December 2020, and up to the date of this annual report, the Group did not make any significant investment, or perform any material acquisition or disposal of subsidiaries, associates and joint venture.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to focus on its existing business and will apply the net proceeds from the Listing as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus. No concrete plan for future investments is in place for the Group as at the date of this annual report.

USE OF PROCEEDS FROM LISTING

The net proceeds from the Listing was approximately HK$1,347.1 million after deducting underwriting fees and expenses in connection with the Listing. The Company applied the net proceeds as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus, and there was no material change or delay in the use of proceeds.

The table below sets forth (i) the amount of net proceeds utilised by the Company from the Listing Date to 31 December 2019, and during the year ended 31 December 2020; (ii) the amount of unutilised net proceeds of the Company as at 31 December 2020; and (iii) the expected timeline of the Company for the full utilisation of the remaining proceeds:

No.	Purposes	Amount of the net proceeds (HK$ in millions)	Amount utilised between the Listing Date and 31 December 2019 (HK$ in millions)	Amount utilised during the year ended 31 December 2020 (HK$ in millions)	Amount of unutilised net proceeds as at 31 December 2020 (HK$ in millions)	Expected timeline for the full utilisation of the remaining proceeds
1.	Expanding and enhancing the Company's IP-based game publishing and development business	673.55 (50% of the total net proceeds)	209.65	269.54	194.36	Before 31 December 2021
2.	Conducting merger and acquisition activities of participants in the mobile game ecosystem	538.84 (40% of the total net proceeds)	200.64	338.20	—	Before 31 December 2021
3.	Working capital and general corporate purposes	134.71 (10% of the total net proceeds)	15.35	112.70	6.66	N/A
	Total	1,347.10	425.64	720.44	201.02	

USE OF PROCEEDS FROM THE TOP-UP PLACING

The net proceeds from the Top-up Placing was approximately HK$536.78 million after deducting related fees and expenses in connection with the Top-up Placing. The Company will apply the net proceeds as set out in the Company's announcements dated 24 November 2020 and 4 December 2020.

The table below sets forth (i) the amount of net proceeds utilised by the Company from the completion of the Top-up Placing to 31 December 2020; (ii) the amount of unutilised net proceeds of the Company as at 31 December 2020; and (iii) the expected timeline of the Company for the full utilisation of the remaining unutilised net proceeds:

No.	Purposes	Amount of the net proceeds (HK$ in millions)	Amount utilised between the completion of the Top-up Placing and 31 December 2020 (HK$ in millions)	Amount of unutilised net proceeds as at 31 December 2020 (HK$ in millions)	Expected timeline for the full utilisation of the remaining proceeds
1.	Further enhance IP-based game publishing and development business through acquisitions and/or investments	536.78	—	536.78	Before 31 December 2021

Given the impact of the global COVID-19 pandemic on the economy, the Company will continue to evaluate the situation and adopt a prudent and flexible approach when utilising its net proceeds from the Listing and the Top-up Placing for the long-term benefit and development of the Group. The current expected timelines for using the unutilised net proceeds from the Listing and the Top-up Placing are based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions. Should there be any material change in the intended usage of the net proceeds from the Listing and the Top-up Placing, the Company will make appropriate announcements in due course.

The Board is pleased to present this Directors' report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Group is a leading IP-based game publisher and developer, focusing primarily on IPs relating to well-known cultural products and art works such as icons or characters from popular animations, novels and motion pictures which have a significant fan base, market acceptance and commercial value. As at 31 December 2020, the Group operated 81 games, including (i) *Reborn!* (家庭教師), which was ranked second on the Top Free Games List of Apple's App Store in Mainland China in the first month of its launch, and was ranked first on the Top Free Games List of Apple's App Store in Hong Kong, Macau and Taiwan on the first day of its launch; (ii) *Xuan Yuan Sword – the Origin* (軒轅劍:劍之源), which was ranked second on the Top Free Games List of Apple's App Store in Mainland China in the first month of its launch, and was ranked third and first on the Top Free Games List of Apple's App Store and Best Selling Games List of Google Play Store in Taiwan, respectively, on the first week of its launch; (iii) *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心), which was ranked first and fifth in the Top Free Games List and Best Selling Games List of Apple's App Store in the first month of its launch in Mainland China respectively according to the statistics from App Annie, an authoritative third party institution, and was ranked first on the Top Free Games List of Apple's App Store in Hong Kong, Macau and Taiwan on the first day of its launch. According to the statistics from App Annie, an authoritative third party institution, *The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart* (新射鵰群俠傳之鐵血丹心) also ranked first on the Best Selling Games List of both Apple's App Store and Google Play Store in Hong Kong, Macau and Taiwan in the first month of its launch.

A description of the Company's principal activities is set out in note 1 to the consolidated financial statements in this annual report.

A list of the Company's principal subsidiaries as at 31 December 2020, together with, among others, their dates and places of incorporation and particulars of their issued share capital, are set out in note 1 to the consolidated financial statements in this annual report.

BUSINESS REVIEW

The section headed "Management Discussion and Analysis" in this annual report forms part of this business review.

Principal Risks and Uncertainties

As an IP-based game publisher and developer in the PRC, the Group faces various risks involved in its daily business operations as well as the industry and regulatory landscape in the PRC. These risks include (i) the Group may not be successful in licensing games and IPs from game developers and IP owners; (ii) the Group may not be successful in developing games in-house; (iii) the Group's new games may not be commercially successful and the Group may not be able to attract new players; (iv) the Group may fail to maintain and grow its player base or keep its players engaged through popular games; and (v) the laws and regulations regulating mobile games in the PRC continue to evolve and change, and the Group may be unable to obtain or maintain all applicable permits and approvals. For details, please refer to the section headed "Risk Factors" in the Prospectus.

The Group also operates its business under the Contractual Arrangements, and is therefore subject to the related risks which are summarised in the section headed "Directors' Report — Contractual Arrangements — Risks relating to the Contractual Arrangements" in this annual report.

Major Customers and Major Suppliers

For the year ended 31 December 2020, the Group's five largest customers accounted for 33.5% (2019: 27.7%) of the Group's total revenue, and the Group's single largest customer accounted for 12.3% (2019: 9.8%) of the Group's total revenue.

For the year ended 31 December 2020, the Group's five largest suppliers accounted for 50.3% (2019: 33.7%) of the Group's total cost of sales, and the Group's single largest supplier accounted for 27.7% (2019: 12.0%) of the Group's total cost of sales.

During the year ended 31 December 2020, apart from Mr. TANG Yanwen, who is a non-executive Director up to 23 December 2020 and is one of the five directors of the parent company of one of the Group's top five suppliers for the year ended 31 December 2020, none of the Directors, their close associates or any Shareholders (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of the Group's top five customers and suppliers.

Environmental Protection

Due to the Group's business nature as a game publisher and developer, the Group is not subject to significant environmental risks. During the year ended 31 December 2020 and up to the date of this annual report, the Group was not subject to any fines or other penalties due to non-compliance with environmental regulations.

The Group is committed to minimising the impact on the environment from its business activities. For details of the Group's environmental protection measures, please refer to the section headed "Environmental, Social and Governance Report - Environment" in this annual report.

FINANCIAL RESULTS

The financial results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss in this annual report.

RESERVES

Details of the movements in the reserves of the Company and reserves available for distribution to Shareholders as at 31 December 2020 are set out in note 39 to the consolidated financial statements in this annual report. The distributable reserves of the Company as at 31 December 2020 were RMB1,644.8 million (2019: RMB1,270.9 million).

DIVIDENDS

After due consideration of Shareholders' as well as the Company's long-term interests, the Board recommended the payment of a final dividend of HK$0.0928 (equivalent to RMB0.0825 based on the average exchange rate of 2020) per Share for the year ended 31 December 2020 out of the Company's share premium account, subject to the approval of Shareholders at the Company's forthcoming annual general meeting. The final dividend, if approved by the Shareholders at the forthcoming annual general meeting, will be paid on or before Wednesday, 30 June 2021 to Shareholders whose name appear on the register of members of the Company as at the close of business on Friday, 11 June 2021. The aggregated amount of the dividends to be distributed by the Company for the year ended 31 December 2020 is proposed to be approximately HK$232.9 million, based on 2,510,150,000 Shares, being the total number of Shares as at 31 December 2020.

For the purpose of determining entitlement to a final dividend, the register of members of the Company will be closed from Monday, 7 June 2021 to Friday, 11 June 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be entitled to the payment of a final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 4 June 2021.

There is no arrangement under which a Shareholder has waived or agreed to waive any dividends (including future dividends).

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

Mr. MA Yuntao resigned as a non-executive Director and a member of the Audit Committee with effect from 13 July 2020 as he wishes to commit more time to his fund management business. Mr. TANG Yanwen resigned as a non-executive Director with effect from 23 December 2020 as he wishes to devote more time to other personal work commitments.

The Board has appointed Mr. HO Orlando Yaukai, an independent non-executive Director, as a member of the Audit Committee with effect from 13 July 2020, and Mr. FAN Yingjie as an executive Director with effect from 23 December 2020.

Save as disclosed above, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the year ended 31 December 2020 and up to the date of this report.

DONATIONS

During the year ended 31 December 2020, the Group made a total of approximately RMB1,405,000 (2019: RMB972,000) of charitable and other donations.

TAX RELIEF AND EXEMPTION

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

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2020 are set out in note 25 to the consolidated financial statements in this annual report.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group for the year ended 31 December 2020 are set out in note 13 to the consolidated financial statements in this annual report.

DIRECTORS

Directors during the year ended 31 December 2020 and up to the date of this annual report

Executive Directors

Mr. XIAO Jian
(Chairman and Chief Executive Officer)
Mr. SIN Hendrick
(Vice Chairman)
Mr. FAN Yingjie (appointed on 23 December 2020)

Non-executive Directors

Mr. MA Yuntao (resigned on 13 July 2020)
Mr. TANG Yanwen (resigned on 23 December 2020)

Independent Non-executive Directors

Ms. NG Yi Kum
Mr. TANG Liang
Mr. HO Orlando Yaukai

Biographical details of the Directors and senior management members of the Company are set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

Resignation of Directors

During the year ended 31 December 2020, 2 Directors resigned from office and no Directors refused to stand for re-election to office.

Confirmation of Independence of Independent Non-executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors, and the Company considers such Directors to be independent during the year ended 31 December 2020.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save for the Contractual Arrangements and the formation of a partnership as disclosed in the section headed "Connected Transaction" in this annual report, to the best knowledge of the Directors, no Director, or any entity connected with a Director, is or was materially interested, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Company to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2020.

Rights and Interests of Directors on Competing Business

To the best knowledge of the Directors, during the year ended 31 December 2020, none of the Directors, or their respective close associates, had any interest in a business, apart from the business of the Group, which competed or is likely to compete, directly or indirectly, with the Group's business, and which would require disclosure under Rule 8.10 of the Listing Rules.

Positions of Directors in Substantial Shareholders of the Company

During the year ended 31 December 2020, to the best knowledge of the Directors, the positions (as director or employee) of the Directors in a company which had an interest in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Director	Entity which had an interest in the Shares and underlying Shares which would fall to be disclosed under the SFO	Position
Mr. Xiao	Fairview Ridge	Director
	Motion Game	Director
	Profound Power	Director
	Ambitious Profit	Director
	Zhongshouyou Brothers BVI	Director
Mr. Sin	Fairview Ridge	Director
	Motion Game	Director
	Profound Power	Director
	Ambitious Profit	Director
	Silver Joyce	Director
Mr. Ma*	Hontai Zhike Cayman Limited	Director
	Yunzhuo Beijing	Executive Director and Manager
	Yunzhuo Chengdu	Executive Director and General Manager
	Orient Zhike Limited	Director

* resigned as Director on 13 July 2020

Save as disclosed above, to the best knowledge of the Directors, none of the Directors is a director or employee of a company which has an interest in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed for the year ended 31 December 2020.

EMPLOYEES REMUNERATION AND RELATIONS

As at 31 December 2020, the Group had 1,000 full-time employees (2019: 825). The success of the Group depends on its ability to attract, retain and motivate qualified personnel. As part of the Group's human resources strategy, the Group offers employees competitive salaries, performance based promotion systems and other incentives. Some of the Group's employees also received RSUs under the Pre-IPO RSU schemes. The Group provides training programmes to employees, including new hire training for new employees and continuing technical training for the Group's research and development team and game operation team to enhance their skill and knowledge.

REMUNERATION POLICY

A remuneration committee has been set up to assist the Board to develop and administer a formal and transparent procedure for setting policy on the remuneration of Directors and senior management, evaluating the performance of Directors and senior management, reviewing and approving the terms of incentive schemes (including the Pre-IPO RSU Schemes and the Post-IPO Share Option Scheme) and Directors' service contracts, and recommending to the Board the remuneration packages for all Directors and senior management. Emoluments of Directors shall be determined by the Board in accordance with the Company's remuneration policy, and with reference to Directors' experience, working performance and position as well as the market conditions.

Details of the emoluments of the Directors and five highest paid individuals for the year ended 31 December 2020 are set out in notes 8 and 9 to the consolidated financial statements in this annual report.

Mr. TANG Liang waived his own emolument of HKD180,000 for the year ended 31 December 2020.

PRE-IPO RSU SCHEMES AND POST-IPO SHARE OPTION SCHEME

Pre-IPO RSU Schemes

To recognise the contributions by the relevant RSU grantees and to retain them for the continual operation and development of the Group, on 20 September 2019, the Company approved and adopted two Pre-IPO RSU Schemes, one for four core connected persons of the Company, namely, Mr. Xiao, Mr. Sin, Ms. LAI Yau Yan Gladys and Ms. LIANG Yan, and the other for the other grantees who are not the core connected persons of the Company. The total number of Shares underlying the RSUs granted under the Pre-IPO RSU Schemes was 180,000,000 Shares, which are held by C&T Services Limited and JW Holdings Cayman Limited, as Pre-IPO RSU Schemes trustees, before vesting the relevant Shares to the grantees under the Pre-IPO RSU Schemes.

As at 31 December 2020, RSUs in respect of a total of 180,000,000 Shares were granted under the Pre-IPO RSU Schemes, 41,889,179 of which were vested during the year ended 31 December 2020. Set forth below are the details of these grantings and vestings:

(i) Mr. Xiao, an executive Director, was granted RSUs in respect of 66,957,500 Shares, 13,319,167 of which were vested during the year ended 31 December 2020;

(ii) Mr. Sin, an executive Director, was granted RSUs in respect of 72,360,000 Shares, 15,120,000 of which were vested during the year ended 31 December 2020;

(iii) Ms. LAI Yau Yan Gladys, the company secretary of the Company and a director of some of the Company's subsidiaries, was granted RSUs in respect of 125,000 Shares, 41,667 of which were vested during the year ended 31 December 2020;

(iv) Ms. LIANG Yan, a director of some of the Company's subsidiaries, was granted RSUs in respect of 3,762,500 Shares, 1,254,167 of which were vested during the year ended 31 December 2020; and

(v) the other grantees, who are not the core connected persons of the Company, were granted an aggregate number of RSUs in respect of 36,795,000 Shares, 12,154,178 of which were vested during the year ended 31 December 2020.

The unvested RSUs shall vest if the required performance targets as set by the Board are achieved. The grantees of the RSUs granted under the Pre-IPO RSU Schemes are not required to pay for the grant of any RSU under the Pre-IPO RSU Schemes.

As the Pre-IPO RSU Schemes do not involve the grant of options to subscribe for any new Shares of the Company, it is not required to be subject to the provisions under Chapter 17 of the Listing Rules. For details of the Pre-IPO RSU Schemes, please refer to the section headed "Statutory and General Information — E. Share Incentive Schemes — 1. Pre-IPO RSU Schemes" in Appendix IV to the Prospectus.

Post-IPO Share Option Scheme

On 20 September 2019, the Post-IPO Share Option Scheme of the Company was approved and adopted by the Shareholders. The Post-IPO Share Option Scheme is subject to Chapter 17 of the Listing Rules.

Purpose

The purpose of the Post-IPO Share Option Scheme is to incentivise and reward the eligible persons for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

Participants

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Post-IPO Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to an employee (whether full time or part-time) or a director of a member of the Group or associated companies of the Company ("**Eligible Persons**").

Maximum Number of Shares in respect of which options may be granted

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme of the Company must not in aggregate exceed 10% of the total number of Shares issued as at the Listing Date, i.e. 226,100,000 (the "**Scheme Mandate Limit**"). The Scheme Mandate Limit represented approximately 9.0% of the Company's issued shares as at the date of this annual report. Options lapse in accordance with the terms of the Post-IPO Share Option Scheme and any other schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Board may, with the approval of the Shareholders in a general meeting, refresh the Scheme Mandate Limit provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes of the Company under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares issued as at the date on which the Shareholders approve the refreshment of the Scheme Mandate Limit. Options previously granted under the Post-IPO Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as "refreshed". The Board may, with the approval of the Shareholders in a general meeting, grant options to any Eligible Person specifically identified by them which would cause the Scheme Mandate Limit to be exceeded. The Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Post-IPO Share Option Scheme and any other schemes of the Company to Eligible Persons must not exceed 30% of the total number of Shares issued from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditor of the Company or an independent financial adviser appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of the Company whether by way of capitalisation of profits or reserves, rights issue, consolidation or subdivision of shares, or reduction of the share capital of the Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction.

Maximum Entitlement of Each Individual

No options shall be granted to any Eligible Person under the Post-IPO Share Option Scheme and any other schemes of the Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of offer of such options, would exceed 1% of the Shares in issue at such date.

Any further grant of options to an Eligible Person in excess of this 1% limit shall be subject to the approval of the Shareholders in a general meeting with such Eligible Person and his or her associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Eligible Person in question, the number and terms of the options to be granted (and options previously granted to such Eligible Person) and such other information required under the Listing Rules.

The number and terms (including the exercise price) of the options to be granted to such Eligible Person must be fixed before the Shareholders' approval and the date of the Board meeting approving such further grant shall be taken as the date of grant for the purpose of determining the exercise price of the options.

Period within which an Offer of Options must be accepted

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Post-IPO Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of RMB1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

Exercise Price

Subject to any adjustment made pursuant to the Post-IPO Share Option Scheme, the exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option;

(ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and

(iii) the nominal value of the Shares.

Duration of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date (i.e. expiring on 31 October 2029), after which period no further options will be granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any option granted prior thereto which are at that time or become thereafter capable of exercise under the Post-IPO Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. Accordingly, as at 31 December 2020, the remaining life of the Post-IPO Share Option Scheme is approximately eight years and ten months.

Time of vesting and exercise of options

Any option shall be vested on an option-holder immediately upon his or her acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/or upon the fulfilment of the vesting conditions (as the case may be). Such offer of options may also include any minimum period for which any option must be held before it can be exercised. Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board at its sole discretion may, unless the Board determines otherwise at its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remains unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option.

No option may be exercised in circumstances where such exercise would, in the opinion of the Board, be in breach of a statutory or regulatory requirement.

Restriction on the Time of Grant of Options

A grant of options may not be made after inside information has come to the Company's knowledge until such inside information has been announced as required under the Listing Rules. In particular, no option may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

No options granted under the Post-IPO Share Option Scheme

During the year ended 31 December 2020, no share option was granted, exercised, cancelled or lapsed since its adoption and there is no outstanding share option under the Post-IPO Share Option Scheme.

On 29 March 2021, the Company has granted a total of 50,000,000 share options to certain eligible employees of the Group, of which, the granting of (i) 5,000,000 share options to Mr. XIAO Jian (an executive Director and a substantial Shareholder of the Company); and (ii) 3,000,000 share options to Mr. SIN Hendrick (an executive Director and a substantial Shareholder of the Company) are subject to shareholders' approval pursuant to Rule 17.04(1) of the Listing Rules at the forthcoming annual general meeting of the Company to be held on Tuesday, 25 May 2021. Please refer to the Company's announcements dated 30 March 2021 and 12 April 2021 for further details.

SHARE CAPITAL

Details of the movements in the share capital of the Company for the year ended 31 December 2020 are set out in note 27 to the consolidated financial statements in this annual report.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interest in the Shares

Name of Directors/ Chief Executive	Nature of Interest	Number of Shares held/ interested(1)	Approximate percentage of interest in the Company(2)
Mr. Xiao	Founder of a discretionary trust, interest in a controlled corporation and other (3)(4)	851,627,357(L)	33.93%
Mr. Sin	Interest in a controlled corporation and other (5)(6)	818,015,663(L)	32.59%
Mr. Ma	Interest in a controlled corporation(7)	228,796,546(L)	9.11%

Notes:

(1) The letter “L” denotes the person’s long position in such Shares.

(2) The percentages are calculated on the basis of 2,510,150,000 Shares in issue as at 31 December 2020.

(3) Mr. Xiao, through Victory Aspire, a company wholly-owned by Antopex Limited, which is nominated by CMB Wing Lung (Trustee) Limited, the trustee of the Xiao Family Trust, (i) was deemed to be interested in 144,998,766 Shares held by his wholly-owned company, Zhongshouyou Brothers BVI, and (ii) was deemed to be interested in 693,309,425 Shares held by Fairview Ridge through Motion Game, Profound Power, Changpei Cayman and Ambitious Profit (the general partner of Changpei Cayman owned as to 64% by Zhongshouyou Brothers BVI).

(4) Mr. Xiao has been granted RSUs under the Pre-IPO RSU Schemes, entitling him to receive an aggregate of 66,957,500 Shares, among which, RSUs representing 53,638,334 Shares were, at the instruction of Mr. Xiao, vested to Zhongshouyou Brothers BVI. The remaining RSUs representing 13,319,166 Shares shall vest if the required performance targets are achieved.

(5) Mr. Sin (i) was deemed to be interested in 108,630,238 Shares held by his wholly-owned company, Silver Joyce, and (ii) was deemed to be interested in 693,309,425 Shares held by Fairview Ridge through Motion Game, Profound Power, Changpei Cayman and Ambitious Profit (the general partner of Changpei Cayman owned as to 36% by Silver Joyce).

(6) Mr. Sin has been granted RSUs under the Pre-IPO RSU Schemes, entitling him to receive an aggregate of 72,360,000 Shares, among which, RSUs representing 57,240,000 Shares were, at the instruction of Mr. Sin, vested to his wholly-owned company, Silver Joyce. The remaining RSUs representing 15,120,000 Shares shall vest if the required performance targets are achieved.

(7) Mr. Ma was deemed to be interested in 228,796,546 Shares held by Zhike L.P., which is a limited partnership incorporated in the Cayman Islands and is controlled by its general partner, Hontai Zhike Cayman Limited, an exempted company incorporated in the Cayman Islands. Hontai Zhike Cayman Limited is wholly-owned by Orient Zhike Limited, a limited company incorporated in the BVI, which is in turn wholly-owned by Beijing Orient L.P., a limited partnership established in the PRC. Beijing Orient L.P. is controlled by its executive general partner, Yunzhuo Beijing, which is wholly owned by Yunzhuo Chengdu, and in turn is controlled as to 79% by Mr. Ma.

Mr. Ma resigned as Director on 13 July 2020.

(ii) Interest in associated corporations

Name of Director	Name of associated corporation	Approximate percentage shareholding
Mr. Xiao	Chengdu Zhuoxing [(1)]	9.20%
Mr. Xiao	Shenzhen Zhongshouyou [(1)]	9.20%
Mr. Xiao	Shenzhen Douyue [(1)]	9.20%

Note:

(1) Mr. Xiao, through Zhongshouyou Brothers PRC, indirectly held 9.20% equity interests of the PRC Operating Entities.

Save as disclosed above, as at 31 December 2020, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Pre-IPO RSU Schemes and the Post-IPO Share Option Scheme, and the formation of a partnership as disclosed in the section headed "Directors' Report – Connected Transactions" in this annual report, at no time during the year ended 31 December 2020 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

As at 31 December 2020, to the best knowledge of the Directors, the following persons had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares held[1]	Approximate percentage of interest in the Company[2]
Mr. Xiao	Founder of a discretionary trust, interest in a controlled corporation and other [3][4]	851,627,357(L)	33.93%
CMB Wing Lung (Trustee) Limited	Trustee of a trust [3][4]	838,308,191(L)	33.40%
Antopex Limited	Nominee for another person [3][4]	838,308,191(L)	33.40%
Victory Aspire	Interest in a controlled corporation [3][4]	838,308,191(L)	33.40%
Zhongshouyou Brothers BVI	Beneficial owner [3][4]	144,998,766(L)	5.78%
	Interest in a controlled corporation [3]	693,309,425(L)	27.62%
Mr. Sin	Interest in a controlled corporation and other [5][6]	818,015,663(L)	32.59%
Silver Joyce	Beneficial owner [5][6]	108,630,238(L)	4.33%
	Interest in a controlled corporation [5]	693,309,425(L)	27.62%
Fairview Ridge	Beneficial owner [3][5]	693,309,425(L)	27.62%
Motion Game	Interest in a controlled corporation [3][5]	693,309,425(L)	27.62%
Profound Power	Interest in a controlled corporation [3][5]	693,309,425(L)	27.62%
Changpei Cayman	Interest in a controlled corporation [3][5]	693,309,425(L)	27.62%
Ambitious Profit	Interest in a controlled corporation [3][5]	693,309,425(L)	27.62%
Mr. Ma	Interest in a controlled corporation [7]	228,796,546(L)	9.11%
Yunzhuo Chengdu	Interest in a controlled corporation [7]	228,796,546(L)	9.11%
Yunzhuo Beijing	Interest in a controlled corporation [7]	228,796,546(L)	9.11%
Beijing Orient L.P.	Interest in a controlled corporation [7]	228,796,546(L)	9.11%
Orient Zhike Limited	Interest in a controlled corporation [7]	228,796,546(L)	9.11%
Hontai Zhike Cayman Limited	Interest in a controlled corporation [7]	228,796,546(L)	9.11%
Zhike L.P.	Beneficial owner [7]	228,796,546(L)	9.11%
Zhongrong Trust	Interest in a controlled corporation [8][9]	369,461,107(L)	14.72%
Beijing Zhongrong Dingxin	Interest in a controlled corporation [8][9]	369,461,107(L)	14.72%
Dazi Dingcheng	Interest in a controlled corporation [8][9]	369,461,107(L)	14.72%
Shanghai Pegasus	Interest in a controlled corporation [8]	293,327,517(L)	11.69%
Pegasus Technology	Interest in a controlled corporation [8]	293,327,517(L)	11.69%
Pegasus BVI	Interest in a controlled corporation [8]	293,327,517(L)	11.69%
Pegasus HK	Beneficial owner [8]	293,327,517(L)	11.69%

Notes:

(1) The letter "L" denotes the person's long position in such Shares.

(2) The percentages are calculated on the basis of 2,510,150,000 Shares in issue as at 31 December 2020.

(3) Mr. Xiao, through Victory Aspire, a company wholly-owned by Antopex Limited, which is nominated by CMB Wing Lung (Trustee) Limited, the trustee of the Xiao Family Trust, (i) was deemed to be interested in 144,998,766 Shares held by his wholly-owned company, Zhongshouyou Brothers BVI, and (ii) was deemed to be interested in 693,309,425 Shares held by Fairview Ridge through Motion Game, Profound Power, Changpei Cayman and Ambitious Profit (the general partner of Changpei Cayman owned as to 64% by Zhongshouyou Brothers BVI). Ms. HUO Dongyan is the spouse of Mr. Xiao and was deemed to be interested in 851,627,357 Shares Mr. Xiao was interested in.

(4) Mr. Xiao has been granted RSUs under the Pre-IPO RSU Schemes, entitling him to receive an aggregate of 66,957,500 Shares, among which, RSUs representing 53,638,334 Shares were, at the instruction of Mr. Xiao, vested to Zhongshouyou Brothers BVI. The remaining RSUs representing 13,319,166 Shares shall vest if the required performance targets are achieved.

(5) Mr. Sin (i) was deemed to be interested in 108,630,238 Shares held by his wholly-owned company, Silver Joyce, and (ii) was deemed to be interested in 693,309,425 Shares held by Fairview Ridge through Motion Game, Profound Power, Changpei Cayman and Ambitious Profit (the general partner of Changpei Cayman owned as to 36% by Silver Joyce). Ms. SIN LO Siu Wai Sylvia is the spouse of Mr. Sin and was deemed to be interested in 818,015,663 Shares Mr. Sin was interested in.

(6) Mr. Sin has been granted RSUs under the Pre-IPO RSU Schemes, entitling him to receive an aggregate of 72,360,000 Shares, among which, RSUs representing 57,240,000 Shares were, at the instruction of Mr. Sin, vested to his wholly-owned company, Silver Joyce. The remaining RSUs representing 15,120,000 Shares shall vest if the required performance targets are achieved.

(7) Mr. Ma was deemed to be interested in 228,796,546 Shares held by Zhike L.P., which is a limited partnership incorporated in the Cayman Islands and is controlled by its general partner, Hontai Zhike Cayman Limited, an exempted company incorporated in the Cayman Islands. Hontai Zhike Cayman Limited is wholly-owned by Orient Zhike Limited, a limited company incorporated in the BVI, which is in turn wholly-owned by Beijing Orient L.P., a limited partnership established in the PRC. Beijing Orient L.P. is controlled by its executive general partner, Yunzhuo Beijing, which is wholly owned by Yunzhuo Chengdu, and in turn is controlled as to 79% by Mr. Ma. Ms. PIAO Chunhua is the spouse of Mr. Ma and was deemed to be interested in 228,796,546 Shares Mr. Ma was interested in.

(8) Pegasus Network HK Limited (髻格瑟斯網絡香港有限公司) ("**Pegasus HK**"), a Hong Kong company, is wholly-owned by Pegasus Technology Limited ("**Pegasus BVI**"), a BVI company, which is in turn wholly-owned by Shanghai Pegasus Technology Development Limited (上海髻歌科技發展有限公司) ("**Pegasus Technology**"), a PRC limited liability company. Pegasus Technology is owned as to 0.4% by an independent third party and 99.6% by Shanghai Pegasus Investment Centre (Limited Partnership) (上海髻格瑟斯投資中心(有限合夥)) ("**Shanghai Pegasus**"), a PRC limited partnership, the general partner of which is Dazi Dingcheng Capital Investment Co., Ltd. (達孜縣鼎誠資本投資有限公司) ("**Dazi Dingcheng**"), a limited liability company established in the PRC, which is wholly-owned by Beijing Zhongrong Dingxin Investment Management Co., Ltd. (北京中融鼎新投資管理有限公司) ("**Beijing Zhongrong Dingxin**") and in turn wholly-owned by Zhongrong International Trust Co., Ltd. (中融國際信託有限公司) ("**Zhongrong Trust**").

(9) Yichong Technology HK Limited (一翀科技香港有限公司) ("**Yichong HK**"), a Hong Kong company, held 76,133,590 Shares, representing approximately 3.03% of the total issued Shares, as at 31 December 2020. Yichong HK is wholly-owned by Yichong Technology Limited, a BVI company, which is in turn wholly-owned by Shanghai Jichong Technology Development Limited (上海紀翀科技發展有限公司) ("**Jichong Shanghai**"), a PRC limited liability company. Jichong Shanghai is owned as to 0.4% by an independent third party and 99.6% by Yichong Investment, a PRC limited partnership, the general partner of which is Dazi Dingcheng, a limited liability company established in the PRC, which is wholly-owned by Beijing Zhongrong Dingxin and in turn wholly-owned by Zhongrong Trust.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any person (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

PARTNERSHIP STRUCTURE OF CHANGPEI CAYMAN

Changpei Cayman is an exempted limited partnership registered in the Cayman Islands holding 27.62% of the total issued Shares as at 31 December 2020. The general partner of Changpei Cayman is Ambitious Profit, a company incorporated in the Cayman Islands and indirectly owned as to 64% by Mr. Xiao through Zhongshouyou Brothers BVI, and 36% by Mr. Sin through Silver Joyce.

As at 31 December 2020, Changpei Cayman was held by Ambitious Profit, the general partner, as to 0.004%, and Zhejiang Shiji Huatong Group Limited ("**Shiji Huatong**") (a listed company on the Shenzhen Stock Exchange (SZSE: 002602)), the limited partner, as to 99.996%.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, the Group did not purchase, sell or redeem any of the Company's listed securities.

EQUITY-LINKED AGREEMENTS

Other than the Pre-IPO RSU Schemes and the Post-IPO Share Option Scheme, during the year ended 31 December 2020, no equity-linked agreement was entered into by or subsisted in the Company, and there was no provision to enter into any agreement which will or may result in the Company issuing Shares.

CONNECTED TRANSACTIONS

Apart from the connected transaction disclosed below and the Contractual Arrangements as disclosed in the section headed "Directors' Report – Contractual Arrangements" in this annual report, the Company had no connected transactions during the year ended 31 December 2020 which are required to be disclosed in accordance with Chapter 14A of the Listing Rules.

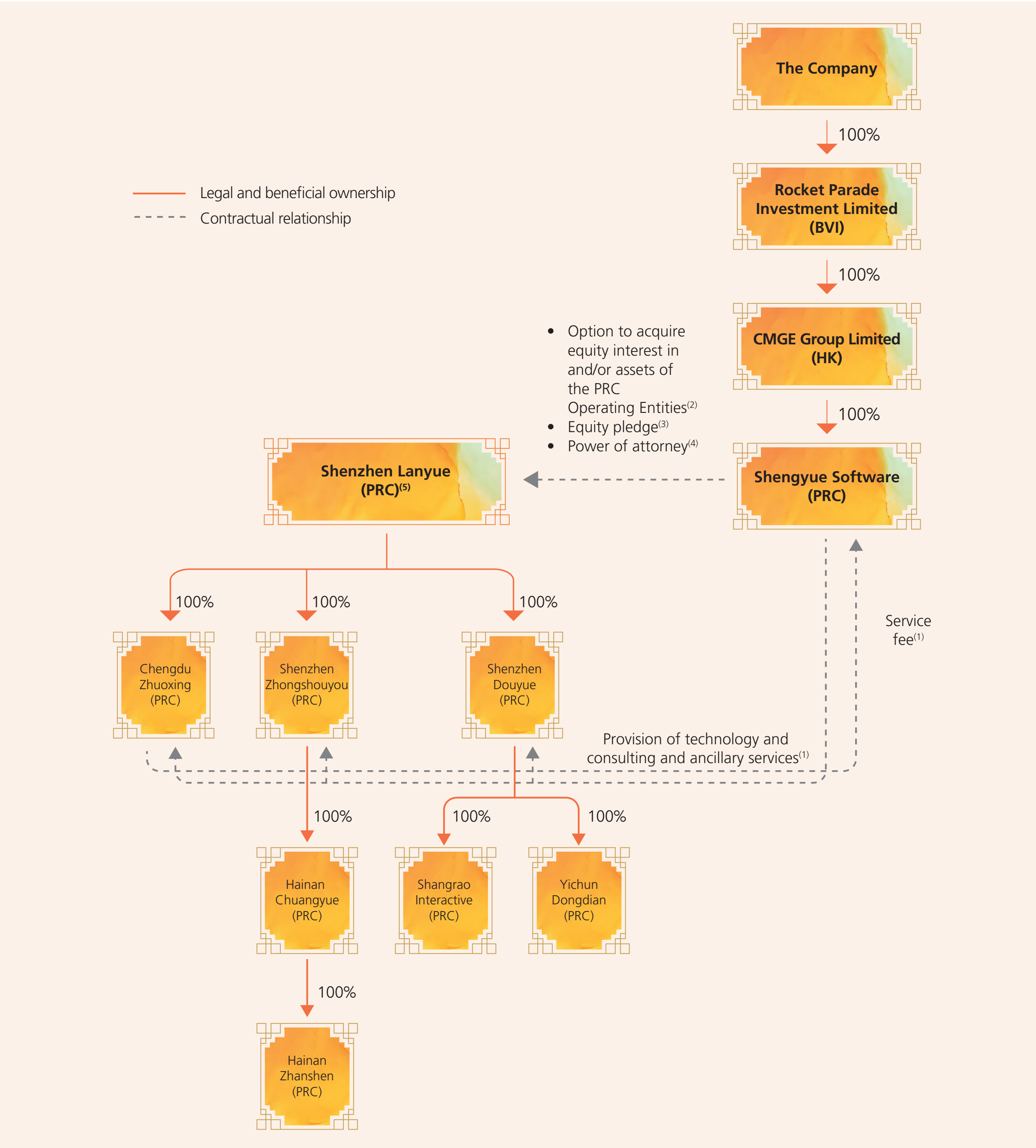
CONTRACTUAL ARRANGEMENTS

Shengyue Software, a wholly-owned subsidiary of the Company, has entered into a series of Contractual Arrangements with Shenzhen Lanyue and the PRC Operating Entities pursuant to which the Company would gain effective control over, and receive all the economic benefits generated by, the businesses operated by the PRC Operating Entities. Through the Contractual Arrangements, the results of operations and assets and liabilities of the PRC Operating Entities are consolidated into the results of operations and assets and liabilities of the Company under HKFRS as if they were subsidiaries of the Group.

The principal businesses of the PRC Operating Entities involve online publication and operation of online games on the mobile telecommunications network, which businesses are either restricted or prohibited for foreign investment in accordance with the Special Administrative Measures (Negative List) for Foreign Investment Access. The PRC Operating Entities are significant to the Group as they hold the requisite licenses, approvals and permits that are material for the Group's business in the PRC, including the value-added telecommunications service operating permit for internet information services, the online culture operation license and the online publication license. Most of the intellectual property rights of the Group, including trademarks, copyrights and domain names, are also held by the PRC Operating Entities.

The PRC Operating Entities contributed a significant portion of the Group's financial positions and results of operations. The total revenue generated by the PRC Operating Entities for the year ended 31 December 2020 amounted to RMB3,093.2 million (2019: RMB2,575.7 million), representing approximately 81.0% (2019: 84.8%) of the Group's total revenue. The total assets of the PRC Operating Entities as at 31 December 2020 amounted to RMB3,447.5 million (2019: RMB2,526.5 million), representing approximately 54.5% (2019: 48.5%) of the Group's total assets.

The following simplified diagram sets forth the structure of the Contractual Arrangements:



Notes:

(1) Please refer to the section headed "Exclusive Business Cooperation Agreements" below for further details.

(2) Please refer to the section headed "Exclusive Option Agreements" below for further details.

(3) Please refer to the section headed "Equity Pledge Agreements" below for further details.

(4) Please refer to the section headed "Power of Attorney" below for further details.

(5) As at the date of this annual report, Shenzhen Lanyue is wholly-owned by CMGE Mobile Tech, which in turn is held as to 44.67% by Changpei Shanghai, 22.33% by Beijing Orient L.P., 18.90% by Shanghai Pegasus, 9.20% by Zhongshouyou Brothers PRC and 4.90% by Yichong Investment.

Summary of the Contractual Arrangements

A brief description of each of the specific agreements that comprise the Contractual Arrangements is set out as follows:

(i) Exclusive Business Cooperation Agreements

On 30 May 2018, each of the PRC Operating Entities and Shengyue Software entered into the exclusive business cooperation agreements (the "**Exclusive Business Cooperation Agreements**") pursuant to which the PRC Operating Entities agreed to engage Shengyue Software as its exclusive consultant and service provider. Shengyue Software shall provide advice and recommendations to the PRC Operating Entities in respect of, among others, technology support, development, maintenance and upgrading of software, the use of software and intellectual property, web design, consulting services, and other business support and services that are necessary for the operations of the PRC Operating Entities. Without the prior written consent of Shengyue Software, during the term of the Exclusive Business Cooperation Agreements, the PRC Operating Entities shall not directly or indirectly accept from any third party services which are the same or similar to the services under the Exclusive Business Cooperation Agreements. The Exclusive Business Cooperation Agreements also provide that Shengyue Software has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by the PRC Operating Entities during the performance of the Exclusive Business Cooperation Agreements.

The PRC Operating Entities shall pay to Shengyue Software a service fee that equals the profit of the PRC Operating Entities, after off-setting the prior-year loss (if any), actual operating cost, working capital requirements confirmed by Shengyue Software, and tax of the PRC Operating Entities in any given year, and Shengyue Software shall have the right to adjust the level of the service fee based on the actual service scope and with reference to the operating conditions and expansion needs of the PRC Operating Entities. Each of the PRC Operating Entities has agreed to pay the service fee within ten (10) days after each quarter end for the services provided in the preceding quarter.

The Exclusive Business Cooperation Agreements may be terminated by Shengyue Software by giving the PRC Operating Entities 30 days prior written notice of termination and shall be terminated upon the transfer of the entire equity interests in the PRC Operating Entities to Shengyue Software or its designated person pursuant to the Exclusive Option Agreements.

(ii) Exclusive Option Agreements

On 30 May 2018, each of the PRC Operating Entities, Shengyue Software and Shenzhen Lanyue entered into the exclusive option agreements (the "**Exclusive Option Agreements**") pursuant to which Shenzhen Lanyue jointly and severally granted to Shengyue Software or a third party designated by Shengyue Software irrevocable options to purchase, to the extent permitted by PRC laws and regulations, its equity interests in the PRC Operating Entities, entirely or partially, at RMB1 or a minimum purchase price permitted under PRC laws and regulations. Shengyue Software or the designated party may exercise such options at any time until it has acquired all equity interests of the PRC Operating Entities, subject to applicable PRC laws and regulations. It is also agreed that when the relevant PRC law permits the equity interests of the PRC Operating Entities to be directly held by Shengyue Software while it continues to operate its mobile game publishing and operation businesses, the parties will carry out all necessary actions to implement the transfer of all the shares of the PRC Operating Entities to Shengyue Software upon the exercise of the option granted under the Exclusive Option Agreements.

The Exclusive Option Agreements shall remain effective until they are terminated (i) by Shengyue Software by giving the PRC Operating Entities 30 days prior written notice of termination, or (ii) upon the transfer of the entire equity interests held by Shenzhen Lanyue in the PRC Operating Entities to Shengyue Software or its designee.

(iii) Equity Pledge Agreements

On 30 May 2018, each of the PRC Operating Entities, Shengyue Software and Shenzhen Lanyue entered into the equity pledge agreements (the "**Equity Pledge Agreements**") pursuant to which Shenzhen Lanyue agreed to pledge all of its equity interests in the PRC Operating Entities to Shengyue Software as security interest to secure performance of all its obligations and the obligations of the PRC Operating Entities under the Exclusive Business Cooperation Agreements and the Exclusive Option Agreements.

Under the Equity Pledge Agreements, if any of the PRC Operating Entities declares any dividend during the term of the pledge, Shengyue Software is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interests, if any. If Shenzhen Lanyue breaches or fails to fulfil the obligations under any of the aforementioned agreements, Shengyue Software, as the pledgee, will be entitled to dispose of the pledged equity interests. In addition, pursuant to the Equity Pledge Agreements, Shenzhen Lanyue has undertaken to Shengyue Software, among other things, not to transfer its equity interests in the PRC Operating Entities and not to create or allow any pledge thereon that may affect the rights and interests of Shengyue Software without its prior written consent.

The Equity Pledge Agreements shall remain effective until all the agreements (other than the Equity Pledge Agreements) underlying the Contractual Arrangements have been terminated.

(iv) Power of Attorney

On 30 May 2018, Shenzhen Lanyue, Shengyue Software and the PRC Operating Entities executed a power of attorney pursuant to which Shenzhen Lanyue irrevocably appointed Shengyue Software and its designee (including but not limited to the directors of Shengyue Software, Directors and their successors and liquidators replacing the Directors or the directors of Shengyue Software but excluding those non-independent or who may give rise to conflict of interests) as their attorneys-in-fact to exercise on their behalf, any and all rights that they have in respect of their equity interests in the PRC Operating Entities, including without limitation, the rights to (i) attend shareholders' meetings, (ii) exercise voting rights in shareholders' meetings to appoint directors, supervisors and senior management, (iii) decide on any acquisition or disposal of the equity interest of Shenzhen Lanyue in the PRC Operating Entities or the winding-up or dissolution of the PRC Operating Entities, (iv) file documents with relevant governmental authorities or regulatory bodies, and (v) exercise such other shareholders' rights as stipulated under applicable PRC laws, rules and regulations and the articles of association of the PRC Operating Entities.

Shenzhen Lanyue, as the registered shareholder of the PRC Operating Entities, has undertaken that it will not directly or indirectly participate in, engage in, involve in, or own any business which potentially competes with Shengyue Software and the PRC Operating Entities.

Further, the power of attorney shall remain effective for so long as Shenzhen Lanyue holds equity interest in the PRC Operating Entities, unless Shengyue Software has given written instructions to the contrary.

Reasons for adopting the Contractual Arrangements

The Company and its direct wholly-owned subsidiary, Shengyue Software, as foreign investors, are prohibited from holding equity interests in the PRC Operating Entities, which operate mobile game publishing and operation businesses and are considered to be engaged in the provision of online publication business, online game operation business and value-added telecommunications business for which foreign investment is prohibited or restricted. In order to conduct the business in China through the PRC Operating Entities, the Group, through its wholly-owned subsidiary, Shengyue Software, entered into the Contractual Arrangements.

For further details of the foreign investment restrictions, please refer to the section headed "Contractual Arrangements - Introduction" on pages 244 to 248 of the Prospectus.

Risks relating to the Contractual Arrangements

There are certain risks that are associated with the Contractual Arrangements, including:

(i) the Contractual Arrangements may not be as effective in providing operational control as direct ownership. The PRC Operating Entities or their shareholder, Shenzhen Lanyue, may fail to perform their obligations under the Contractual Arrangements;

(ii) if the PRC government finds that the agreements that establish the structure for operating the Company's business in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of the Company's interest in the PRC Operating Entities;

(iii) substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), which took effect on 1 January 2020, and how it may impact the viability of the Group's current corporate structure, corporate governance and business operations; and

(iv) the Company may lose the ability to use and enjoy assets held by the PRC Operating Entities that are material to the Group's business operations if the PRC Operating Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding;

(a) the Company conducts its business operations in China through the PRC Operating Entities by way of the Contractual Arrangements. However, certain terms of the Contractual Arrangements may not be enforceable under PRC laws;

(b) the Contractual Arrangements between Shengyue Software and the PRC Operating Entities may subject the Group to increased income tax due to the different income tax rates applicable to Shengyue Software and the PRC Operating Entities and adversely affect the results of operations of the Group; and

(c) if the Group exercises the option to acquire equity ownership and assets of the PRC Operating Entities, the ownership or asset transfer may subject the Group to substantial costs.

For further details, please refer to the section headed "Risk Factors - Risks Related to Our Contractual Arrangements" on pages 63 to 68 of the Prospectus.

Actions taken by the Group to mitigate the risks relating to the Contractual Arrangements

The Group has adopted following measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and the Group's compliance with the Contractual Arrangements:

(i) as part of the internal control measures, major issues arising from implementation of the Contractual Arrangements will be regularly reviewed, at least on a quarterly basis, by the Board;

(ii) matters relating to compliance and regulatory enquiries from government authorities (if any) will be discussed at these regular meetings;

(iii) the relevant business units and operation divisions of the Group will report regularly, and no less frequently than on a monthly basis, to the senior management of the Company in relation to compliance and performance conditions under the Contractual Arrangements and other related matters;

(iv) the company seals, financial seals, contract seals and crucial corporate certificates of the PRC Operating Entities are kept by the Group's finance department. Any employee of the Group who wishes to use the seals will have to obtain internal approval from the business, legal and/or finance department(s) (as the case may be) of the Group, as well as approval from relevant department heads and vice presidents and the chief executive officer of the Company, depending on the importance or transaction value of the document to which the seal/seals will be affixed. The business, legal and/or finance departments constitute the Group's central management system and the persons in charge of these departments as well as the department members responsible for the custody and handling of the seals and crucial corporate certificates are employees of Shengyue Software or the Company;

(v) if necessary, legal advisers and/or other professionals will be retained to assist the Group to deal with specific issues arising from the Contractual Arrangements and to ensure that the operation and implementation of the Contractual Arrangements as a whole will comply with applicable laws and regulations;

(vi) the independent non-executive Directors will review the compliance of the Contractual Arrangements on an annual basis and their confirmation will be disclosed in the Company's annual reports;

(vii) to avoid potential conflicts of interest, the Board (including the independent non-executive Directors) will ensure that any designee or person or entity designated by Shengyue Software and Shenzhen Lanyue for the purpose of exercising any of the rights originally granted to Shengyue Software and/or such designee under the Contractual Arrangements shall be restricted to a legally-held subsidiary of the Company (and which will be under the management control of the Company) or an authorised director of the Company or a legally-held subsidiary (whom shall own fiduciary duties to the Company) and shall exclude any of its associates. The Board will also ensure that no rights shall be granted to any other third parties outside of the Group which do not owe any fiduciary duties to the Company;

(viii) the Board (including the independent non-executive Directors) will ensure that Shengyue Software will only approve and consent to the relevant operating entity carrying out the principal business and ancillary business of the Group which would otherwise be prohibited or restricted to be carried out by foreign invested entities under relevant PRC laws and regulations;

(ix) the Board (including the independent non-executive Directors) will ensure that the PRC Operating Entities shall retain and continue to hold all relevant intellectual properties, including trademarks, computer software, copyrights and domain names, required for the purpose of maintaining and renewing its operating licenses and permits as required by relevant PRC government authorities, and going forward and to the extent permissible under PRC laws and regulations, Shengyue Software or any other legally held member of the Group shall be the registered owner of the trademarks which will be material to the business of the Group; and

(x) the Group will unwind the Contractual Arrangements as soon as relevant PRC laws and regulations allow the principal business of the Group to be conducted and operated by the subsidiaries of the Company without such arrangements in place.

To ensure that Shenzhen Lanyue and the PRC Operating Entities will comply with the Contractual Arrangements, the Group also introduced the following measures:

(a) the three independent non-executive Directors will continue to play an independent role on the Board by reviewing the effective implementation of the procedures and controls referred to above and compliance with the Contractual Arrangements; and

(b) in the event of the occurrence of a conflict of interests (where Shengyue Software has the sole and absolute discretion to determine whether such conflict arises), Shenzhen Lanyue shall take appropriate measures upon the consent of Shengyue Software or its designee to eliminate such conflicts, failing which Shengyue Software may exercise, to the extent permitted under the PRC laws, the option under the Exclusive Option Agreements.

Listing Rules Implications and Waiver from the Stock Exchange

The PRC Operating Entities will be treated as the Company's wholly-owned subsidiaries, and their directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as the Company's connected persons. Shenzhen Lanyue, which is the registered shareholder of the PRC Operating Entities, will be treated as a connected person of the Company. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

In view of the Contractual Arrangements, the Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.102 of the Listing Rules from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Rule 14A.105 of the Listing Rules, (ii) the annual cap requirement for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as Shares are listed on the Stock Exchange subject however to the conditions provided under the waiver. For further details, please refer to the section headed "Connected Transactions" on pages 269 to 273 of the Prospectus.

Material Change or Termination of the Contractual Arrangements

During the year ended 31 December 2020, (i) there were no new contractual arrangements entered into, renewed or reproduced between the Group and the PRC Operating Entities, (ii) there were no material changes in the Contractual Arrangements or the circumstances under which they were adopted, and (iii) none of the structured contracts under the Contractual Arrangements mentioned above has been unwound as none of the restrictions that led to the adoption of structured contracts under the Contractual Arrangements have been removed.

Annual Review

The Directors, including the independent non-executive Directors, have reviewed the Contractual Arrangements and have confirmed that the Contractual Arrangements were entered into (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms, and (iii) in accordance with the respective agreements governing them on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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

(a) the transactions carried out during the year ended 31 December 2020 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, and that the profit generated by the PRC Operating Entities has been substantially retained by Shengyue Software;

(b) no dividends or other distributions have been made by the PRC Operating Entities or any non-wholly owned subsidiary of the Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and

(c) other than the Contractual Arrangements, no new contracts have been entered into, renewed and/or reproduced between the Group and the PRC Operating Entities during the year ended 31 December 2020.

The Auditor has confirmed in a letter to the Board with a copy to the Stock Exchange confirming that the transactions under the Contractual Arrangements have been approved by the Board, the transactions carried out during the year ended 31 December 2020 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, and that no dividends or other distributions have been made by the PRC Operating Entities or any non-wholly owned subsidiary of the Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group. The Board confirmed that the auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2020 are set out in note 34 to the consolidated financial statements in this annual report.

None of the related party transactions or continuing related party transactions (as the case may be) constitutes a connected transaction or continuing connected transaction of the Company, and the Company has complied with all disclosure requirements in Chapter 14A of the Listing Rules.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

During the year ended 31 December 2020, the Group was not involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that the Group believes is likely to have a material adverse effect on the Group's business, results of operations, financial condition or reputation. However, the Group is from time to time party to various legal, arbitration or administrative proceedings arising in the ordinary course of its business as a game publisher, operator and developer, including the one material litigation described below.

Litigation in respect of The World of Legend – Thunder Empire (傳奇世界之雷霆霸業)

In April 2019, two claimants filed a civil complaint before the Intermediate People's Court of Wuhan City, alleging that the Group had infringed their copyright and engaged in unfair competition by marketing its game *The World of Legend – Thunder Empire* (傳奇世界之雷霆霸業), which they claim to be similar to a game titled *The Legend of Mir II* (熱血傳奇) that is co-owned by one of the claimants and an associate of Shengqu Information Technology (Shanghai) Co., Ltd. ("**Shengqu**") (the "**Litigation**"). The game *The World of Legend – Thunder Empire* (傳奇世界之雷霆霸業) accounted for 37.0% and 23.0% of the Group's total revenue for the years ended 31 December 2019 and 2020, respectively. Based on the demands of the two claimants and as advised by the Group's PRC legal adviser for the Litigation, the Group's maximum exposures in respect of the Litigation is that the Group may be compelled to take the game offline and pay damages in the maximum sum of RMB10.0 million.

The game was developed by the Group within the scope of the copyright of *The World of Legend* (傳奇世界) pursuant to the Group's licensing agreement with Shengqu. The Group has been advised by its PRC legal adviser for the Litigation that the Group's game did not infringe upon the copyright of *The Legend of Mir II* (熱血傳奇) as (i) the game was developed based on the copyright of *The World of Legend* (傳奇世界), which is owned by Shengqu, and (ii) *The World of Legend* (傳奇世界) is not connected to the copyright of *The Legend of Mir II* (熱血傳奇), which has been acknowledged and confirmed by the claimants pursuant to a court mediation order in February 2007. On this basis, the Directors believe that the Group has sufficient and valid legal grounds to defend these allegations, and that the likelihood of an unfavourable court ruling is low. As at the date of this annual report, the Litigation had not yet proceeded to trial.

Because the licensing agreement with Shengqu gives the Group the right to develop the game, and entitles the Group to seek remedies from Shengqu for any loss associated with the relevant copyright, the Directors believe that the Group's business, results of operations, financial conditions and reputation will not be materially and adversely affected by the Litigation. As at 31 December 2020 and the Latest Practicable Date, the game *The World of Legend – Thunder Empire* (傳奇世界之雷霆霸業) remains available for download on Android and the Group continues to receive its portion of the gross billings that it generates.

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations which have a significant impact to the Group. As at the date of this annual report, except as disclosed in the Prospectus, the Group complied with, in all material respects, all the relevant and applicable PRC laws and regulations governing the business of property development and management and the Group has obtained all licenses, permits and certificates for the purpose of operating its business.

As at the date of this annual report, the Group is not involved in and the Board is not aware of any non-compliance incidents that might adversely affect the value of the Company's interests in them.

ISSUANCE OF SHARES AND DEBENTURES

During the year ended 31 December 2020, except for the placing and subscription of 180,000,000 Shares, no issuance of Shares or debentures was made by the Company. For details, please refer to the section headed "Management Discussion and Analysis – Use of Proceeds from the Top-up Placing" above and the announcements of the Company dated 24 November 2020 and 4 December 2020.

PERMITTED INDEMNITY PROVISION

Under the Articles of Association, every Director or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers. Such permitted indemnity provisions were in force during the year ended 31 December 2020 and remained in force as at the Latest Practicable Date.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. A report on the principle corporate governance practices adopted by the Company is set out in the corporate governance report of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the issuer's total number of issued shares must at all times be held by the public. Based on information that is publicly available and to the best knowledge of the Directors, at least 25% of the Company's total issued shares was held by the public at all times during the year ended 31 December 2020, and as at the Latest Practicable Date.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands or under the Company's articles of association that require the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors have confirmed that during the year ended 31 December 2020, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters with the management. The Audit Committee, together with the Auditor, has reviewed the Group's consolidated financial statements for the year ended 31 December 2020. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

AUDITOR

The Company has appointed Ernst & Young as its external auditor for the year ended 31 December 2020, and there was no change in auditor of the Company since the incorporation of the Company. A resolution for Ernst & Young's reappointment as the Company's auditor and the authorisation to the Board to determine their remuneration will be proposed at the Company's forthcoming annual general meeting.

By order of the Board
CMGE Technology Group Limited
XIAO Jian
Chairman

Hong Kong, 24 March 2021

DIRECTORS

The following table presents certain information in respect of the members of the Board.

Members of the Board

Name	Age	Position	Date of Appointment as a Director
Mr. XIAO Jian (肖健)	41	Executive Director, Chairman and Chief Executive Officer	25 April 2018
Mr. SIN Hendrick (冼漢迪)	46	Executive Director and Vice Chairman	25 April 2018
Mr. FAN Yingjie (樊英傑)	50	Executive Director	23 December 2020
Ms. NG Yi Kum (伍綺琴)	63	Independent Non-executive Director	20 September 2019
Mr. TANG Liang (唐亮)	43	Independent Non-executive Director	20 September 2019
Mr. HO Orlando Yaukai (何猷啟)	29	Independent Non-executive Director	20 September 2019

The biography of each Director is set out below:

Executive Directors

Mr. XIAO Jian (肖健), aged 41, is an executive Director, the chairman and the chief executive officer of the Company. Mr. Xiao is responsible for the overall business operation, management and strategic planning of the Group. Mr. Xiao has over 10 years of experience in the China mobile game industry, and is one of the founders of CMGE Group, the holding company of the Group's mobile game publishing business. He was the chief operating officer of CMGE Group from January 2011 to April 2012 and has been the chief executive officer of CMGE Group since April 2012 and a director since August 2012. Prior to that, in July 2007, Mr. Xiao founded Huiyou Digital (Shenzhen) Ltd. (匯友數碼(深圳)有限公司), a mobile game developer in the PRC, which was subsequently acquired by V1 Group, a new media company listed on the Stock Exchange (stock code: 0082) in October 2009.

Mr. Xiao is a recognised figure in the industry and was recognised as (i) a "Top Ten Influencer (十大影響力人物)" by China's Music Association's Game Committee (中國音數協遊戲工委) for three consecutive years from 2014; (ii) an "Outstanding Entrepreneur of China's Game Industry (中國遊戲行業優秀企業家)" by China Culture and Entertainment Association (中國文化娛樂協會) for three consecutive years from 2015; (iii) "The Person of the Year in the Industry (年度行業風雲人物)" by Sina Games (新浪遊戲) in 2015 and 2018; (iv) a "Top Ten Person (十大風雲人物)" by China.com (中華網) in 2015; (v) among the "Top Ten CEOs of Influence (十大影響力CEO)" in 2015 and 2016 and "The Most Influential Person in the Industry (年度行業領軍人物)" in 2017 by Mobile Hardcore Alliance (硬核聯盟); (vi) a "Top Ten Person of the Year (十大風雲人物)" by the Youthun Club (遊聯社) in 2016; (vii) "The Most Influential Person in the Industry (最具業內深度影響力人物)" jointly by "Internet Weekly (互聯網週刊)" of the Chinese Academy of Sciences (中國科學院) and the Informatisation Research Centre of the Chinese Academy of Social Sciences (中國社會科學院信息化研究中心) in 2017 and 2018; (viii) the "2017 Tianfu Award-winning Influencer (2017年度天府獎影響力人物)" by CMGC in 2017; (ix) the "Outstanding Entrepreneur of Guangdong Province (廣東省優秀企業家)" by Guangdong Provincial Enterprise Confederation (廣東省企業聯合會組織) and Guangdong Provincial Entrepreneur Association (廣東省企業家協會) in 2017 and 2019; (x) a director of Shenzhen Young Entrepreneurs Federation (深圳市青年企業家聯合會) in 2017; and (xi) an expert of the Guangdong Game Industry Association (廣東省遊戲產業協會) in 2018.

Mr. Xiao graduated from South China Normal University (華南師範大學) in February 2009 with a bachelor's degree in law through online education, and from Beijing University of Aeronautics and Astronautics (北京航空航天大學) in July 2014 with a master's degree in software engineering.

Mr. SIN Hendrick (冼漢廸), aged 46, is an executive Director and the vice chairman of the Company. Mr. Sin is responsible for the overall business operation, management and strategic planning of the Group. Mr. Sin has over 15 years of experience in corporate management, finance and investment banking. Mr. Sin has been a director and vice chairman of CMGE Group since January 2011. Mr. Sin has been serving as an independent non-executive director of Evergreen Products Group Limited, a hair product manufacturing company whose shares are listed on the Stock Exchange (stock code: 1962) since June 2017, and has been serving as an independent non-executive director of 36 Kr Holdings Inc., a publishing and data company whose shares are listed on the NASDAQ (stock code: KRKR) since November 2019.

Mr. Sin is (i) the president of the Internet Professional Association (香港互聯網專業協會), (ii) the executive vice-chairman of the Hong Kong Software Industry Association (香港軟件行業協會), and (iii) a member of the Hong Kong Institute of Directors (香港董事學會). Mr. Sin has been appointed as a member of the fourteenth session of Tianjin Municipal's Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議天津市第十四屆委員會). Mr. Sin has also been appointed by the Hong Kong Government as a committee member of the Youth Development Commission (青年發展委員會) and a director of Hong Kong Cyberport Management Company Limited (香港數碼港管理有限公司). Mr. Sin was awarded the Young Industrialist Award of Hong Kong of 2018 by Federation of Hong Kong Industries in November 2018. Mr. Sin was recognised as one of China's 100 Most Popular Investors as Voted by Startup Entrepreneurs (中國最受創業者歡迎投資人TOP 100) by 36Kr in 2018 and 2019, respectively, and as one of the Top 10 Investors of Chinese Cultural Industry in 2018-2019 (2018-2019年度中國文化產業十佳投資人物) by Chinese Venture (融資中國). Mr. Sin was also awarded Linghang Outstanding Entrepreneur the Guangdong-Hong Kong-Macao Greater Bay Area Award (領航粵港澳大灣區傑出企業家獎) at "Leading 9+2" First Guangdong-Hong Kong-Macao Greater Bay Area Development Forum ("領航9+2"首屆粵港澳大灣區發展論壇) in March 2021.

Mr. Sin graduated from Stanford University in June 1997 with a master's degree in engineering in economic systems and operations research. Mr. Sin received his triple bachelor's degrees in computer science/mathematics, economics and industrial management from Carnegie Mellon University in May 1996.

Mr. FAN Yingjie (樊英傑), aged 50, is the chairman and the chief executive officer of Wenmai Hudong, an indirect wholly-owned subsidiary of the Company specialising in mobile game development. He is also the sole director of the subsidiaries of Wenmai Hudong. Mr. Fan has over 15 years of experience in the game development industry in the PRC. Since the establishment of Wenmai Hudong in 2014, Mr. Fan has been responsible for its overall business operation, management and strategic planning. Mr. Fan is also the chief producer of some of the Company's popular self-developed games, including Legend of Dragon City (龍城傳奇), Blood Legend (血飲傳説), War Song - the Creation (熱血戰歌之創世), Dragon Buster (屠龍戰記) and The World of Legend – Thunder Empire (傳奇世界之雷霆霸業). Mr. Fan graduated from Handan University (邯鄲大學) (now known as Handan Polytechnic College (邯鄲職業技術學院)) majoring in business management in 1994.

Independent non-executive Directors

Ms. NG Yi Kum (伍綺琴), aged 63, is an independent non-executive Director. Ms. Ng has over 12 years of experience in serving listed companies. She has been serving as (i) an executive director of Tse Sui Luen Jewellery (International) Limited, a company listed on the Stock Exchange (stock code: 0417) since December 2015, (ii) an independent non-executive director of Powerlong Commercial Management Holdings Limited, a company listed on the Stock Exchange (stock code: 9909) since December 2019, (iii) an independent non-executive director of Tianjin Development Holdings Limited, a company listed on the Stock Exchange (stock code: 0882) since July 2010, (iv) an independent non-executive director of Comba Telecom Systems Holdings Limited, a company listed on the Stock Exchange (stock code: 2342) since March 2019, (v) an independent non-executive director of CT Vision (International) Holdings Limited (formerly known as Win Win Way Construction Holdings Limited), a company listed on the Stock Exchange (stock code: 0994) since July 2019; and (vi) an independent non-executive director of KWG Living Group Holdings Limited (stock code: 3913) since October 2020.

From June 2013 to August 2019, Ms. Ng served as an independent non-executive director of China Power New Energy Development Company Limited, a company listed on the Stock Exchange and delisted in August 2019 (stock code: 0735). From May 2016 to May 2017, Ms. Ng served as an independent non-executive director of DS Healthcare Group, Inc., a company listed on the NASDAQ and delisted in December 2016 (stock symbol: DSKX). From September 2012 to August 2015, Ms. Ng served as an independent non-executive director of CMGE Group, a company listed on the NASDAQ and delisted in August 2015 (stock symbol: CMGE). From December 2011 to June 2013, Ms. Ng served as an independent non-executive director of China Finance Investment Holdings Limited (formerly known as Cypass Jade Agricultural Holdings Limited and Ever Fortune International Holdings Limited), a company listed on the Stock Exchange (stock code: 0875). From September 2008 to July 2015, Ms. Ng served as an independent non-executive director of Hong Kong Resources Holdings Company Limited (formerly known as Ocean Grand Chemicals Holdings Limited), a company listed on the Stock Exchange (stock code: 2882). From January 2008 to April 2014, Ms. Ng served as the chief financial officer of Country Garden Holdings Company Limited, a company listed on the Stock Exchange (stock code: 2007). From September 2005 to November 2007, she served as an executive director of Hang Lung Properties Limited, a company listed on the Stock Exchange (stock code: 0101).

Ms. Ng graduated from the Hong Kong University of Science and Technology with a master's degree in business administration in 1995. She is a fellow member of the Institute of Chartered Accountants in England and Wales, an associate of the Hong Kong Institute of Chartered Secretaries, a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and a member of the American Institute of Certified Public Accountants.

Mr. TANG Liang (唐亮), aged 43, is an independent non-executive Director. Mr. Tang has been serving as (i) a director of Tencent Music Entertainment Group, a company listed on the New York Stock Exchange (stock symbol: TME) since April 2014, currently serves as independent director; (ii) an executive director and Chairman of Starlight Culture Entertainment Group Limited, a company listed on the Stock Exchange (stock code: 1159) since September 2020; (iii) the director of We Doctor Holdings Limited since December 2020, currently serves as a non-executive director; (iv) the chairman of China Investment Financial Holdings Fund Management Company Limited (中投中財基金管理有限公司) since April 2015; (v) a director of New Journey Hospital Group Ltd. (新里程醫院集團有限公司) since June 2019; (vi) a director of CAS Health Industry (Beijing) Co., Ltd. (中科健康產業(北京)有限公司) since December 2016; (vii) the chairman of Hefei CIFH Industry Investment Management Co., Ltd. (合肥中投中財產業投資管理有限公司) since December 2016; (viii) the chairman and the general manager of Hefei China Film CIFH Investment Management Co., Ltd. (合肥中影中投中財投資管理有限公司) since March 2017; (ix) a director of Zhongke Zhiyun Technology Co., Ltd. (中科智雲科技有限公司) since June 2018, currently serves as the chairman; and (x) a director of each Dragonstone Capital Management Limited (龍石資本管理有限公司) and CICFH International Consulting Limited since November 2020.

Mr. Tang graduated from Peking University in July 2000 with a bachelor's degree in law. Mr. Tang received a master's degree in litigation law from Peking University in July 2002, a master's degree in law from Yale University in June 2003 and a master's degree in science of law from Stanford University in June 2005.

Mr. HO Orlando Yaukai (何猷啟), aged 29, is an independent non-executive Director. Mr. Ho served as a director of Koo Tech Limited (酷奧科技有限公司) from October 2014 to January 2020, an assistant manager of UNIR (HK) Management Ltd since 2013, a director of UNIR Australia Pty Ltd Group since August 2014, a director of Tinon Investments Ltd since December 2019, a director of Skyin Ltd since March 2020, a chairman of New Blue Ocean Advertisement (Macau) Ltd since January 2018, a chief executive officer of OSMAN Entertainment Ltd since May 2018, a director of Tung Wah Group of Hospitals (東華三院) since April 2016, and a general manager of Guangzhou Luhu Golf & Country Club (廣州麓湖高爾夫球鄉村俱樂部) since March 2016. Mr. Ho served as (i) a member of the Standing Committee of the 12th Guangxi Zhuang Autonomous Region Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆廣西壯族自治區委員會常務委員) since February 2018, and (ii) a member of the 11th Guangxi Zhuang Autonomous Region Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆廣西壯族自治區委員會) from December 2014 to January 2018. Mr. Ho has also served as (i) the executive vice-chairman of the Hong Kong CPPCC Youth Association (香港政協青年聯會) since May 2016 and the executive vice-president of the same institution from May 2014 to April 2016, (ii) the chairman of the Hong Kong Guangxi Sports Association (香港廣西體育總會) since March 2014 and the executive vice president of the same institution from November 2013 to February 2014, (iii) the executive vice-chairman of the Hong Kong Guangxi Youth Organisations (香港廣西青年聯會) since March 2014, (iv) the executive vice-president of the Federation of Hong Kong Guangxi Community Organisation (香港廣西社團總會) since November 2013, (v) the vice-chairman of the Hong Kong Volunteers Federation (香港義工聯盟) since November 2015, and (vi) the honorary president of the Anti-Drug Army of Hong Kong Limited (香港禁毒兵團) since January 2015.

Mr. Ho graduated from Bentley University in the United States with a bachelor's degree in science in corporate finance and accounting in October 2013.

SENIOR MANAGEMENT

The following table presents certain information in respect of the senior management personnel of the Group (other than the executive Directors).

Name	Age	Roles and responsibilities
Ms. LIANG Yan (梁燕)	42	A partner and a vice president of the Company responsible for the Group's internal control management, budget management, legal department management, business operation analysis and investment execution matters
Mr. WANG Ye (王曄)	34	A partner and a vice president of the Company responsible for the Group's mobile game co-publishing, traffic purchase and co-publishing promotion matters
Mr. WANG Xiaolin (王曉霖)	36	A partner and a vice president of the Company responsible for the Group's domestic online game product distribution and operations related matters
Mr. YANG Rongjie (楊榮傑)	36	A partner and a vice president of the Company responsible for the Group's marketing and advertising management
Mr. YUAN Yu (袁宇)	44	A partner and a vice president of the Company responsible for the Group's IP introduction and editorial supervision management
Mr. FAN Huiqi (樊輝琪)	36	A partner and a vice president of the Company responsible for the Group's research and development, product distribution and operation matters of casual card and board games
Mr. WANG Tao (王濤)	47	A partner and a vice president of the Company responsible for the Group's human resources and administrative management
Ms. LAI Yau Yan Gladys (黎佑欣)	41	The financial controller and company secretary of the Company

The biography of each senior management member is set out below:

Ms. LIANG Yan (梁燕), aged 42, is a partner and a vice president of the Company. Ms. Liang is primarily responsible for the Group's internal control management, budget management, legal department management, business operation analysis and investment execution matters. Ms. Liang has nearly 10 years of experience in corporate management and operation. She joined Huiyou Digital (Shenzhen) Ltd. (匯友數碼(深圳)有限公司) in January 2011 and served as its vice president from August 2012 to November 2015. Ms. Liang also served as the vice president of Shenzhen Douyue since November 2015 and then served as its partner till February 2018. Since March 2018, she has been serving as a vice president and partner of Shenzhen Shengli Huyu. Since May 2018, she has also been serving as the director of Beijing Softstar. Since May 2020, she has been a partner and a vice president of Hainan Chuangyue. Prior to joining the Group, from August 2008 to August 2009 and from August 2009 to August 2012, Ms. Liang worked at Shenzhen KKFUN Software Development Co., Ltd. (深圳市快樂風軟件開發有限公司) as a vice director of the network business department and a director of its production development department, respectively. She received her bachelor's degree in engineering in mechanical design and manufacture from Northwest Textile Science and Technology University (西北紡織工學院, which was renamed as Xi'an Polytechnic University (西安工程大學) in 2006) in July 2000.

Mr. WANG Ye (王曄), aged 34, is a partner and a vice president of the Company. Mr. Wang is primarily responsible for the Group's mobile game co-publishing, traffic purchase and co-publishing promotion matters. Mr. Wang has nearly twelve years of experience in the game and technology industry. He joined the Group in January 2016 and served as the vice president of Beijing China Mobile Games Technology Co., Ltd. (北京中手游技術有限公司) from January 2016 to November 2016. Mr. Wang has also been serving as the vice president and partner of Shenzhen Shengli Huyu since March 2018. Prior to joining the Group, (i) from March 2014 to January 2016, Mr. Wang worked as a general manager of the gaming centre of Youku Network Technology (Beijing) Co., Ltd. (優酷網絡技術(北京)有限公司), (ii) from March 2012 and March 2014, he worked as an operation manager of the personal computer online game department at Beijing Star World Technology Company Ltd. (北京世界星輝科技有限責任公司), where he was responsible for the operation of exclusively licensed games, and (iii) from September 2010 to March 2012, he worked as an operation manager at the project operation department of Shanghai Youzu Information Technology Co., Ltd. (上海遊族信息科技有限公司), an interactive entertainment provider, where he was responsible for operation team building and operation management. Mr. Wang received his bachelor's degree in electronic information engineering from Nanchang University (南昌大學) in July 2008.

Mr. WANG Xiaolin (王曉霖), aged 36, is a partner and a vice president of the Company. Mr. Wang is primarily responsible for the Group's domestic online game product distribution and operations related matters. Mr. Wang has over ten years of experience in the game and technology industries. He joined the Group in February 2014 and has consecutively served as a vice general manager and general manager of Chengdu Zhuoxing, and as vice general manager of Tianjin Suiyue Technology Co., Ltd. (天津隨悦科技有限公司). Mr. Wang has also been a partner of the Company and vice president of the Group since November 2016. Prior to joining the Group, Mr. Wang worked at former cooperative product department of Tencent Technology (Shenzhen) Co., Ltd. (騰訊科技(深圳)有限公司) as an operation manager of WARFACE product from December 2010 to February 2014, where he was primarily responsible for overall project operation and team management. He received his bachelor's degree of engineering in inorganic non-metal material engineering from Hehai University (河海大學) in June 2007 and his master of science in technology management from University of Bridgeport in May 2009.

Mr. YANG Rongjie (楊榮傑), aged 36, is a partner and a vice president of the Company. He is responsible for the Group's marketing and advertising management. Mr. Yang has nearly 10 years of experience in the game and technology industries. He joined the Group in December 2016 and has been serving as the vice president and partner of Shenzhen Zhongshouyou since then. Prior to joining the Group, (i) from November 2014 to November 2016, he served as a vice president (marketing) of Shenzhen iDreamsky Technology Limited (深圳創夢天地科技有限公司), (ii) from July 2011 to August 2013, he worked at Tencent Technology (騰訊科技(深圳)有限公司), (iii) from October 2010 to June 2011, he served as the marketing manager of Ninth City Computer Technology Consulting (Shanghai) Co., Ltd. (第九城市計算機技術諮詢(上海)有限公司), responsible for the overall marketing of web games, and (iv) from August 2009 to September 2010, Mr. Yang served as a marketing planning manager of Perfect World Game Co., Ltd. (完美世界遊戲有限責任公司) (formerly known as Shanghai Perfect World Network Technology Co., Ltd. (上海完美世界網絡技術有限公司)), responsible for marketing and promotion of games. Mr. Yang graduated from Shandong University of Technology (山東理工大學) with a bachelor's degree in urban planning in July 2007.

Mr. YUAN Yu (袁宇), aged 44, is a partner and a vice president of the Company. He is responsible for the Group's IP introduction, CP introduction and IP authorisation. Mr. Yuan has nearly 20 years of experience in business management and operation. He joined the Group in May 2015 and served as a general manager of a copyright centre of Shenzhen Lanyue and has been serving as its vice president and partner since November 2016. Mr. Yuan has also been serving as the vice president and partner of Shenzhen Shengli Huyu since March 2018. Prior to joining the Group, (i) from July 2013 to May 2015, he served as a senior strategic project manager of Walt Disney (Beijing) Co., Ltd. (華特迪士尼(北京)有限公司) and then as the senior business development manager of Walt Disney Company (China) Limited (華特迪士尼(中國)有限公司), responsible for channel docking, authorisation of intellectual property and games and channel related matters, (ii) from August 2012 to June 2013, he served as an assistant vice president of ME Marketing Centre of Madhouse Inc. (上海億動商道廣告有限公司), responsible for marketing and customer management, (iii) from February 2006 to April 2011, he served as the regional marketing director of Huayou Times Technology Development Co., Ltd (華友時代科技發展有限公司) (formerly known as Shengda Wireless (Beijing) Technology Development Co., Ltd. (盛大無綫(北京)技術發展有限公司)), responsible for sales and marketing in the region, and (iv) from June 1999 to March 2001, Mr. Yuan served as a regional supervisor of handheld products of Lenovo (Beijing) Co., Ltd. (聯想(北京)有限公司). He graduated from Northeastern University (東北大學) with a bachelor's degree in engineering in July 1999.

Mr. FAN Huiqi (樊輝琪), aged 36, is a partner and a vice president of the Company. He is responsible for the Group's research and development, product distribution and operation matters of casual card and board games. Mr. Fan has nearly 10 years of experience in business management and operation. He joined the Group in June 2013 and served as a director of Shenzhen Zhongshouyou. He served as a deputy general manager of Shenzhen Zhongshouyou from March 2014 to May 2016. He served as a general manager of Shenzhen Zhongshouyou from June 2016 to June 2020. Mr. Fan has served as a partner and a vice president of Shenzhen Zhongshouyou since July 2020. Prior to joining the Group, Mr. Fan served as a department manager of Huiyou Digital (Shenzhen) Ltd. (匯友數碼(深圳)有限公司) from June 2010 to May 2013. Mr. Fan graduated from Jiangxi Normal University with a bachelor's degree in electronic and information engineering in July 2008.

Mr. WANG Tao (王濤), aged 47, is a partner and a vice president of the Company. Mr. Wang is responsible for the Group's human resources and administrative management. Mr. Wang has over twelve years of experience in talent training and development in game industry and business operations. He joined the Group in November 2015 and served as a vice president of Shenzhen Lanyue from November 2015 to March 2016. Mr. Wang then served as a vice president of Beijing China Mobile Games Technology Co., Ltd. (北京中手游技術有限公司) in April 2016 and has been serving as its partner since November 2016. Mr. Wang also served as a partner and vice president of Shenzhen Douyue from April 2017 to February 2018. Mr. Wang served as the partner and vice president of Shenzhen Shengli Huyu from March 2018 to May 2018 and has been serving as a partner and vice president of Shengyue Software since June 2018. Prior to joining the Group, (i) from April 2014 to November 2015, he served as a chief manager of Guangzhou Zhengyou Information Technology Co., Ltd. (廣州正遊信息科技有限公司), responsible for development and distribution of web and mobile game projects and the daily operation of the company, (ii) from January 2013 to March 2014, he served as a human resources director of Guangzhou Feiying Information Technology Co., Ltd. (廣州菲音信息科技有限公司), (iii) from December 2007 to April 2011, he served as a manager of the training centre of Changyou.com Limited (北京暢遊天下網絡技術有限公司), responsible for staff training, and (iv) from April 2011 to October 2012, he served as a senior manager of Beijing Oak Pacific Interactive Information Technology Co., Ltd. (北京千橡網景科技發展有限公司), responsible for the development of personnel organisation and staff training. Mr. Wang graduated from Beijing Wuzi University (北京物資學院) majoring in marketing with a bachelor's degree in business administration in July 1999.

Ms. LAI Yau Yan Gladys (黎佑欣), aged 41, is the financial controller and company secretary of the Company. Ms. Lai joined China Mobile Games and Entertainment Group (HK) Limited, an indirect wholly-owned subsidiary of the Company, as an assistant finance manager in July 2014, and was promoted to financial controller in April 2018. Ms. Lai was also appointed as the secretary of the Company on 19 June 2018. Ms. Lai has over 15 years of experience in financial reporting as well as management reporting. Ms. Lai served as an assistant accounting manager at Hutchison Whampoa Properties Limited from June 2012 to April 2014, a senior accountant at PCCW Limited from October 2008 to June 2012, an accountant at Hutchison Telecommunications International Limited from October 2005 to April 2008 and a senior accountant at Ernst & Young from September 2001 to September 2005.

Ms. Lai graduated from the University of British Columbia in Canada with a bachelor's degree in commerce in accounting in May 2001. Ms. Lai has also been a member of the American Institute of Certified Public Accountants since September 2004, a member of the Hong Kong Institute of Certified Public Accountants since September 2005 and an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) since March 2020. She holds dual qualifications of Chartered Secretary and Chartered Governance Professional. She was qualified as a Certified Internal Auditor of the Institute of Internal Auditors in July 2008. She is also a Chartered Global Management Accountant accredited by the American Institute of Certified Public Accountants in February 2012.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound governance policies and measures, and the Board is responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including those applicable to employees and Directors with reference to the CG Code and other applicable legal and regulatory requirements.

During the year ended 31 December 2020, the Company complied with the applicable code provisions of the CG Code, except for a deviation from code provision A.2.1 of the CG Code.

Roles of Chairman and Chief Executive Officer

Pursuant to code provision A.2.1 of the CG Code, the responsibilities of the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Group does not have a separate chairman and chief executive officer and Mr. Xiao currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board currently comprises three executive Directors (including Mr. Xiao) and three independent non-executive Directors, and therefore has a fairly strong independence element in its composition. The Board considers that the balance of power and authority under the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider separating the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Company as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors, senior management members, and employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the year ended 31 December 2020. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management members or relevant employees of the Group during the year ended 31 December 2020.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Company, oversees the Company's strategic decisions and monitors business and performance. The Board decides all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors may have recourse to independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

All Directors have carried out their duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Delegation by the Board

The Board has delegated the authority and responsibility for day-to-day management and operation of the Company to the senior management of the Company. The senior management team meets as frequently as necessary to formulate policies and make recommendations to the Board. The senior management team administers, enforces, interprets and supervises compliance with the internal rules and operational procedures of the Group and conducts regular reviews, recommends and advises on appropriate amendments to such rules and procedures. The senior management team reports to the Board on a regular basis and communicates with the Board whenever required.

These delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Board Composition

The Company has a Board with a balanced composition of executive and independent non-executive Directors.

As at 31 December 2020, the Board comprised:

- ***Three executive Directors:***
  Mr. XIAO Jian *(Chairman)*, Mr. SIN Hendrick and Mr. Fan Yingjie

- ***Three independent non-executive Directors:***
  Ms. NG Yi Kum, Mr. TANG Liang and
  Mr. HO Orlando Yaukai

To the best knowledge of the Board, there is no particular relationship (including financial, business, family or other material or relevant relationship) between members of the Board or senior management members during the year ended 31 December 2020 and up to the date of this annual report.

Since 1 January 2020 and up to the date of this annual report, the Company has complied with the requirements under:

(i) Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise; and

(ii) Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive directors representing at least one-third of the Board.

Service Agreements and Appointment Letters

Each of the executive Directors has entered into a service agreement with the Company. Pursuant to these agreements, they have agreed to act as executive Directors for an initial term of three years with effect from the Listing Date or until the third annual general meeting of the Company since the Listing Date (whichever is sooner), subject always to re-election as and when required under the Articles of Association. Each of the service agreements can be terminated in accordance with the terms and conditions thereof or by either party giving to the other not less than one month's prior notice in writing.

Each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company. Pursuant to these appointment letters, they have agreed to act as non-executive Directors or independent non-executive Directors for a term of three years with effect from the Listing Date or until the third annual general meeting of the Company since the Listing Date (whichever is sooner), subject always to re-election as and when required under the Articles of Association. Each of the appointment letters can be terminated in accordance with the terms and conditions thereof or by either party giving to the other not less than one month' prior notice in writing.

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year for Board meetings, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings.

For other Board and Board Committees meetings, reasonable notice is generally given. The agenda and accompanying board papers are despatched to the Directors or Board Committees members at least one day before such meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committees members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the company secretary of the Company with copies circulated to all Directors for information and records.

The matters considered by the Board and the Board Committees and the decisions reached are recorded in sufficient details in the minutes of the Board meetings and Board Committees. Such details include, but are not limited to, any concerns raised by the Directors. The draft minutes of each Board meeting and Board Committees meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

During the year ended 31 December 2020, the Board convened five board meetings. The table below sets forth the attendance records of the Directors at the Board meetings:

Name of Director	Board meetings attended/ Eligible to attend
EXECUTIVE DIRECTORS	
Mr. XIAO Jian	5/5
Mr. SIN Hendrick	5/5
Mr. FAN Yingjie (appointed on 23 December 2020)	N/A
NON-EXECUTIVE DIRECTORS	
Mr. MA Yuntao (resigned on 13 July 2020)	1/1
Mr. TANG Yanwen (resigned on 23 December 2020)	3/4
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Ms. NG Yi Kum	5/5
Mr. TANG Liang	5/5
Mr. HO Orlando Yaukai	5/5

BOARD COMMITTEES

To oversee particular aspects of the Company's affairs, the Board has established four committees, each of which has been delegated responsibilities and reports back to the Board. These four Board Committees are Audit Committee, Nomination Committee, Remuneration Committee, and Corporate Governance Committee. The roles and functions of these committees are set out in their respective terms of reference. The terms of reference of each of these Board Committees will be revised from time to time to ensure that they continue to meet the needs of the Company and to ensure compliance with the CG Code. The terms of reference of the Board Committees are available on the Company's website **www.cmge.com** and the Stock Exchange's website **www.hkexnews.hk**.

Audit Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules, which consisted of three members as at 31 December 2020, namely Ms. NG Yi Kum, Mr. TANG Liang and Mr. HO Orlando Yaukai, all of whom are independent non-executive Directors. Ms. NG Yi Kum is the chairlady of the Audit Committee. None of the members of the Audit Committee served as a partner or former partner in the Company's external auditor, Ernst & Young.

The primary duties of the Audit Committee include (i) making recommendations to the Board on the appointment, reappointment and removal of the external auditor; (ii) reviewing the Company's financial information; and (iii) overseeing the Company's financial reporting system, risk management and internal control systems. For details, please refer to the terms of reference of the Audit Committee on the websites of the Stock Exchange and the Company.

The Audit Committee held three meetings during the year ended 31 December 2020. The attendance records of the members of the Audit Committee are set out below:

Name of Members	Meetings attended/ Eligible to attend
Ms. NG Yi Kum (Chairlady)	3/3
Mr. TANG Liang	3/3
Mr. HO Orlando Yaukai	3/3

Remuneration Committee

The Company has established a Remuneration Committee in compliance with Rule 3.25 of the Listing Rules, which consisted of three members as at 31 December 2020, namely Mr. SIN Hendrick, an executive Director, Ms. NG Yi Kum and Mr. HO Orlando Yaukai, both of whom are independent non-executive Directors. Mr. HO Orlando Yaukai is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include (i) making recommendations to the Board on the Company's policies and structures for all Directors' and senior management personnel's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policies; and (ii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. For details, please refer to the terms of reference of the Remuneration Committee on the websites of the Stock Exchange and the Company.

Details of the remuneration of the members of the Board for the year ended 31 December 2020 are set out in note 8 to the consolidated financial statements in this annual report.

The Remuneration Committee held two meetings during the year ended 31 December 2020. The attendance records of the members of the Remuneration Committee are set out below:

Name of Members	Meetings attended/ Eligible to attend
Mr. HO Orlando Yaukai (Chairman)	2/2
Mr. SIN Hendrick	2/2
Ms. NG Yi Kum	2/2

The remuneration of the senior management members of the Company by band during the year ended 31 December 2020 are set out below:

Remuneration Band	Number of individuals
Nil to HK$3,500,000	7
HK$3,500,001 to HK$7,000,000	1

Nomination Committee

The Company has established a Nomination Committee, which consisted of three members as at 31 December 2020, namely Mr. XIAO Jian, an executive Director, and Mr. TANG Liang and Mr. HO Orlando Yaukai, both of whom are independent non-executive Directors. Mr. XIAO Jian is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include (i) reviewing the structure, size, composition (including skills, knowledge and expertise) and diversity (including but not limited to gender, age, cultural and educational background, race, skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; and (ii) identifying individuals who are qualified or suitable to become a member of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships. For details, please refer to the terms of reference of the Nomination Committee on the websites of the Stock Exchange and the Company.

The Nomination Committee held two meetings during the year ended 31 December 2020. The attendance records of the members of the Nomination Committee are set out below:

Name of Members	Meetings attended/ Eligible to attend
Mr. XIAO Jian (Chairman)	2/2
Mr. TANG Liang	2/2
Mr. HO Orlando Yaukai	2/2

Corporate Governance Committee

The Company has established a Corporate Governance Committee, which consisted of three members as at 31 December 2020, namely Mr. SIN Hendrick, an executive Director, and Ms. NG Yi Kum and Mr. HO Orlando Yaukai, both of whom are independent non-executive Directors. Ms. NG Yi Kum is the chairlady of the Corporate Governance Committee.

The primary duties of the Corporate Governance Committee include (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; and (ii) reviewing and monitoring the training and continuous professional development of the Company's Directors and senior management personnel. For details, please refer to the terms of reference of the Corporate Governance Committee on the websites of the Stock Exchange and the Company.

The Corporate Governance Committee held one meeting during the year ended 31 December 2020. The attendance records of the members of the Corporate Governance Committee are set out below:

Name of Members	Meetings attended/ Eligible to attend
Ms. NG Yi Kum (Chairlady)	1/1
Mr. SIN Hendrick	1/1
Mr. HO Orlando Yaukai	1/1

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board and see increasing diversity at the Board level as an essential element in maintaining its competitive advantage. The Nomination Committee is responsible for monitoring the implementation of the board diversity policy of the Company, and shall review and amend this diversity policy, as appropriate, to ensure its effectiveness.

When reviewing the size and composition of the Board and searching for and recommending candidates to act as the Directors, the Nomination Committee shall, taking into account the business model and specific needs of the Company, consider the diversity of the Board in various aspects, including but not limited to, gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge, length of service in the Group and industrial and regional experience. The final appointment recommendation shall be made to the Board by the Nomination Committee based on the value that the selected candidates will bring to the Board after taking into account the relevant aspects mentioned above.

DIRECTOR NOMINATION POLICY

Appointment of Directors

In accordance with article 16.2 of the Articles of Association, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Any Director required to stand for re-election pursuant to article 16.2 of the Articles of Association shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he or she retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated offices by electing a like number of persons to be Directors.

The procedures and processes of appointment, re-election and removal of Directors are set out in the Articles of Association. Whilst the overall responsibility for the selection and appointment of directors rests with the Board, the Board has delegated general responsibilities and authority to the Nomination Committee to identify, screen and recommend to the Board appropriate candidates to serve as directors of the Company, to oversee the process for evaluating the performance of the Board, and to develop and recommend to the Board nomination guidelines which shall be consistent with any applicable laws, regulations and listing standards.

In evaluating and selecting candidates for directorship, the Board will consider factors including (i) the structure, size, composition (including skills, knowledge and expertise) and diversity (including but not limited to gender, age, cultural and educational background, race, skills, knowledge and experience) of the Board; (ii) the requirement of the Board to have independent directors in accordance with the Listing Rules; and (iii) the candidate's willingness and ability to devote adequate time to discharge duties as a member of the Board.

The Nomination Committee and/or the Board will evaluate candidates based on the criteria as set out above, rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable) and then recommend to the Board the appointment of the appropriate candidate for a directorship, as applicable. For any person that is nominated by a Shareholder for election as a director at the general meeting of the Company, the Nomination Committee and the Board will evaluate such candidate based on the criteria as set out above and where appropriate, make recommendation to Shareholders in respect of the proposed election of director at the general meeting.

Re-election of Directors

In accordance with article 16.18 of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

For the re-election of a director at general meeting, the Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and their level of participation and performance on the Board, and then make recommendations to Shareholders in respect of the proposed re-election of such director at the general meeting.

The three Directors who will retire by rotation are Mr. XIAO Jian, Mr. SIN Hendrick and Mr. FAN Yingjie, each of whom is an executive Director. All retiring Directors, being eligible, will offer themselves for re-election at the Company's forthcoming annual general meeting.

Details of the Directors to be re-elected at the Company's forthcoming annual general meeting will be set out in the circular to the Shareholders to be published and despatched in due course.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Company acknowledges the importance of Directors participating in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. To this end, the Company provides the Directors with necessary information to ensure that he or she has a proper understanding of the Group's operations and businesses as well as his or her responsibilities under the relevant laws and regulations. The newly appointed Directors were also provided with a detailed induction to the Group's businesses by senior management.

The Directors are encouraged to participate in continuous professional development presented by professional institutions.

The training received by the Directors during the year ended 31 December 2020 is summarised below:

Name of Director	Training Areas: Corporate Governance	Legal and Regulatory	Businesses/ Directors' Duties
EXECUTIVE DIRECTORS			
Mr. XIAO Jian	✓	✓	✓
Mr. SIN Hendrick	✓	✓	✓
Mr. FAN Yingjie (1)	✓	✓	✓
NON-EXECUTIVE DIRECTORS			
Mr. MA Yuntao(2)	✓	✓	✓
Mr. TANG Yanwen(3)	✓	✓	✓
INDEPENDENT NON-EXECUTIVE DIRECTORS			
Ms. NG Yi Kum	✓	✓	✓
Mr. TANG Liang	✓	✓	✓
Mr. HO Orlando Yaukai	✓	✓	✓

Note:

(1) Appointed with effect from 23 December 2020.

(2) Resigned with effect from 13 July 2020.

(3) Resigned with effect from 23 December 2020.

DIVIDEND POLICY

Subject to the requirements of the Articles of Association, Cayman Islands law and other applicable laws and regulation, the Board has absolute discretion to recommend any dividend. The determination to pay dividends will be made at the discretion of the Board and will depend upon the Group's earnings and financial condition, operating requirements, capital and investment requirements, level of indebtedness and any other factors that the Board may deem relevant. The Company will continue to re-evaluate its dividend policy in light of its financial condition and the prevailing economic environment.

The dividends, interests and bonuses and any other benefits and advantages in the nature of income receivable in respect of the Company's investments, and any commissions, trusteeship, agency, transfer and other fees and current receipts of the Company shall, subject to the payment thereof of the expenses of management, interest upon borrowed money and other expenses which in the opinion of the Board are of a revenue nature, constitute the profits of the Company available for distribution.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the exclusive benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof or be required to account for any money earned thereon. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall be reverted to the Company and after such forfeiture no member or other person shall have any right to or claim in respect of such unclaimed dividends or bonuses.

For the avoidance of doubt, no assurance is given or implied that dividends will be paid in any particular amount (or at all) for any given period notwithstanding the adoption of this policy. If the Board decides to recommend, declare or pay dividends, the form, frequency and amount will depend upon the situation and applicable factors at the relevant time. The Board will review the dividend policy as appropriate from time to time.

FINANCIAL REPORTING

Directors' Responsibility

The Directors are responsible for overseeing the preparation of the Company's financial statements for the year ended 31 December 2020 which give a true and fair view of the state of affairs of the Group's results and cash flow.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The management has provided to the Board such explanations and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with updates on the Group's performance, positions and prospects from time to time.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as at 31 December 2020. Accordingly, the Directors have confirmed that the financial statements for the year ended 31 December 2020 be prepared on a going concern basis.

Auditor's Responsibility

A statement from the Auditor about its reporting responsibilities on the audited consolidated financial statements is set out on pages 99 and 100 of this annual report.

Auditor's Remuneration

The table below sets forth the remuneration for the audit and non-audit services provided by the Auditor for the year ended 31 December 2020:

Type of Services	Amount *(RMB)*
Audit services	4,500,000
Non-audit services	—
Total	4,500,000

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group has adopted and implemented a robust risk management and internal control system for its business operations, including (i) financial reporting; (ii) information risk management; (iii) legal compliance; (iv) intellectual property rights management; and (v) human resources management. The Board is responsible for maintaining a sound and effective risk management and internal control system in order to safeguard the Group's assets and Shareholders' interests, and is also responsible for reviewing the effectiveness of the Group's internal control and risk management systems on an annual basis so as to ensure that internal control and risk management systems in place are adequate. The Group's internal control and risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable rather than absolute assurance against material misstatement or loss.

The Company also has an internal audit function, which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's and its subsidiaries' risk management and internal control system, and reports their findings to the Board on, at least, an annual basis. The Company implements and strictly enforces procedures on inside information according to the relevant procedures stated under the "*Guidelines on Disclosure of Inside Information*" promulgated by the SFC in June 2012.

The Group's internal control system includes a well-established organisational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis so as to identify, evaluate and manage significant risks in a timely manner.

The Board has reviewed the effectiveness of the internal control and risk management systems of the Group for the year ended 31 December 2020 to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions to be adequate. The review was conducted through discussions with the management of the Company, its external and internal auditors and the assessment performed by the Audit Committee. The Board also made reference to the results of the agreed-upon procedures in connection with the internal control of the Company performed by the internal control consultant engaged by the Company in preparation for the Listing, and these procedures did not identify any material internal control deficiencies of the Group.

The Board believes that the existing risk management and internal control systems are adequate and effective, in particular, for financial reporting and Listing Rules compliance as well as for resolving internal control defects (if any).

COMPANY SECRETARY

Ms. LAI Yau Yan Gladys is the company secretary of the Company. For the year ended 31 December 2020, Ms. Lai has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training to update her skills and knowledge. Her biographical detail is set out under the section headed "Biographies of Directors and Senior Management" in this annual report.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of an Extraordinary General Meeting and Putting Forward Proposals

According to the Articles of Association, general meetings shall be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid-up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures for Shareholders to Propose a Person for Election as a Director of the Company

Shareholders may propose a person for election as a director of the Company. The relevant procedures are available for viewing on the Company's website at **www.cmge.com**.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

Shareholders' Enquiries and Proposals

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Company's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable the Shareholders and investors to make the informed investment decisions.

Enquiries from the Shareholders for the Board or the Company, or proposals from the Shareholders for consideration at Shareholders' meetings, may be directed to the Company's investor relations team:

By post:	13th Floor, 8 Wyndham Street, Central, Hong Kong
By fax:	(852) 2763 4168
By email:	serenashen@cmge.com

The enquiries and proposals received by the Company are handled on a case-by-case basis after due consideration by the investors relations team, relevant management and the Board, as appropriate.

Changes to the contact details above will be communicated through the Company's website at **www.cmge.com**, which also contains information and updates on the Group's business developments and operations, as well as press releases and financial information.

Shareholders can also direct their enquiries about their shareholdings to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, whose address is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Shareholder Meetings

The annual general meeting of the Company provides opportunities for the Shareholders to communicate directly with the Directors. The chairman of the Board and the chairmen of the Board Committees will attend annual general meetings to answer Shareholders' questions. The Auditor will also attend annual general meetings to answer questions about the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies and auditor independence.

The Company encourages the Shareholders to attend annual general meetings and other general meetings so the Shareholders can communicate with the Board, and exercise their right to vote.

Shareholders' Communication Policy

To promote effective communication with the Shareholders, the Company has adopted a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders. The Company also maintains a website at **www.cmge.com**, where up-to-date information on the Company's business operations, developments, financial information, corporate governance practices and other information are available for public access.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company's current Articles of Association were adopted on 20 September 2019, and are available for viewing on the websites of the Company and the Stock Exchange. There have been no changes in the Company's Articles of Association since the Listing.

ABOUT THE REPORT

The Report Introduction

The Group is pleased to present its environmental, social and governance report for the year ended 31 December 2020. This report summarises the Group's strategies, performance and vision for environmental, social and governance issues.

Reporting Scope and Reporting Period

Unless otherwise stated, the environmental disclosures in this report cover the locations of the Group's main operating entities in the PRC, namely the offices in Hong Kong, Shenzhen, Shanghai, Beijing and Yichun. Among which, the office in Yichun, which commenced operations during the reporting period, is newly covered in this report. The social disclosures in this report cover the locations of all operating entities of the Group in the PRC, including the office in Guangzhou which officially commenced operation in December 2020.

This report covers the year from 1 January 2020 to 31 December 2020, which is consistent with the financial year covered by this annual report.

Preparation Basis of this Report

This report was prepared in accordance with the disclosure obligations under the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules. This report has complied with all the "comply or explain" provisions, as well as the principles of materiality, quantitative, balance and consistency. The Group has adopted the emission factors and international standards set out in the environmental, social and governance guidance documents issued by the Stock Exchange in preparing this report in the same manner as in the previous year. For more information on the application of materiality reporting principles, please refer to the section headed "Materiality Assessment" in this report.

Contact Us

The Group values the opinions of the readers of this report. If you have any questions or suggestions about this report, you are welcome to give your feedback to the Company's investor relations team:

By post:	13th Floor, 8 Wyndham Street, Central, Hong Kong
By fax:	(852) 2763 4168
By email:	serenashen@cmge.com

Source of Information and Reliability Statement

The information disclosed in this report is sourced from the internal documents of the Group, statistical reports or relevant public information. The Group has confirmed that there are no false representations, misleading statements or material omissions in this report, and is responsible for the truthfulness, accuracy and completeness of its contents.

Confirmation and Approval

The Group's management team has confirmed to the Board that during the year ended 31 December 2020, the Group's risks management and internal monitoring system concerning environment, society and governance was effective.

This report was approved by the Board on 24 March 2021 at 13th Floor, 8 Wyndham Street, Central, Hong Kong. This report is available in both English and Chinese versions. If there is any inconsistency between the Chinese and English versions of this report, the Chinese version shall prevail. The electronic version of this report is available on the websites of the Stock Exchange **www.hkexnews.hk** and the Company **www.cmge.com**.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT

Statement of the Board

As a responsible corporate citizen, the Group adheres to the concept of sustainable development, actively fulfils its corporate social responsibilities, incorporates environmental protection and environmental management into its business decisions, and is committed to building a healthy and harmonious online and offline ecosystem by actively investing in its internet platform and carrying out charitable activities. In addition, the Group has been focusing on maintaining closer connections with different stakeholders, listening to the voices of its gamers, caring for and growing with its employees, and taking on more social responsibilities.

The Group has established a governance structure to enhance its efforts in environmental, social and governance related works. The Board has overall responsibility for the environmental, social and governance strategies and reporting matters of the Group and fully monitors the related risks and opportunities. The Board is responsible for formulating the Group's environmental, social and governance related management approach, strategies and objectives, regularly reviewing the objectives set by the Group and its performance regarding such objectives and revising its strategies as appropriate. To carry through the concept of sustainable development and effectively manage environmental, social and governance matters, the Group has established an environmental, social and governance working group to assist the Board in overseeing and promoting the implementation of various environmental, social and governance strategies. The environmental, social and governance working group is also responsible for assisting the Board to identify and prioritise important issues, reporting to the Board regularly on the effectiveness of the environmental, social and governance system and the performance of the Group in relation to environment and social key performance indicators, and preparing the annual environmental, social and governance report.

Going forward, the Board will continue to oversee and refine the Group's measures and performance on sustainable development in order to create long-term value for all stakeholders and the communities in which we operate.

Governance Structure

Board	The Board is responsible for overseeing environmental, social and governance related matters, including the formulation of relevant policies and strategies.
Environmental, social and governance working group	The working group is responsible for assisting the Board in implementing various daily management work for environmental, social and governance matters.
Functional departments	Each functional department is responsible for implementing various measures formulated by the Group in connection with environmental, social and governance matters.

Stakeholder Identification and Communication

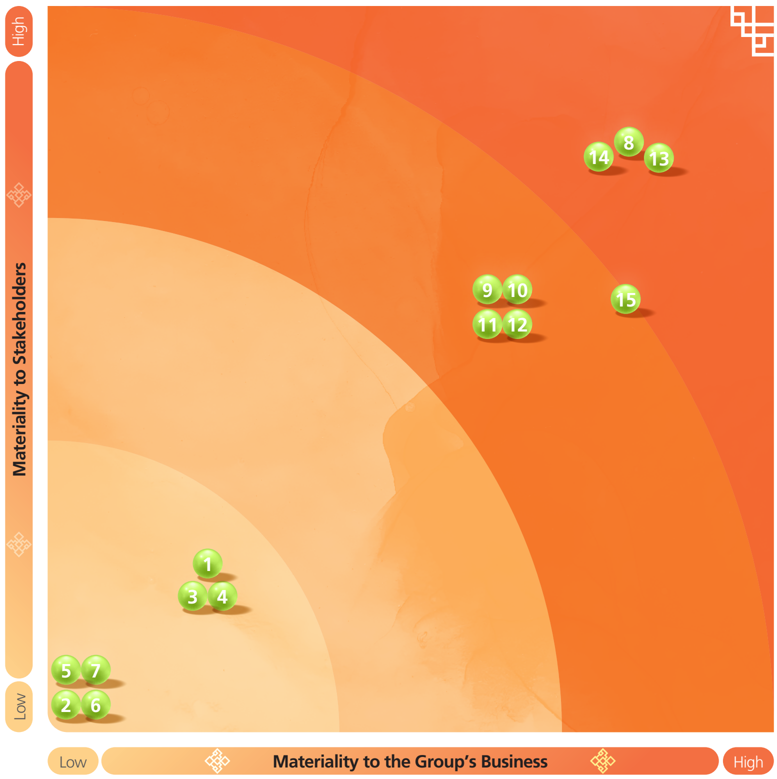
In the course of its operation, the Group continues to pay attention to the major issues that the stakeholders are concerned about. The Group understands the expectations and needs of its stakeholders through comprehensive and transparent communication, and continue to improve the Group's sustainable development strategies and plans based on the opinions of its stakeholders, so as to consolidate mutual trust and cooperative relationships, jointly realise its sustainable development plans, and create a future of sustainable economic growth, environmental friendliness and social development.

MAJOR ISSUES CONCERNING STAKEHOLDERS AND CORRESPONDING MEASURES

STAKEHOLDERS	KEY MATTERS OF CONCERN	COMMUNICATION CHANNELS
Shareholders and investors	• Business strategies • Investment return • Corporate image • Compliance operations	• General meetings • Public disclosure of the Company • Company's website
Government and regulatory authorities	• Compliance operations • Tax payment according to law • Information disclosure and reporting materials	• Company's website • Public disclosure of the Company
Industry associations	• Compliance operations	• Visits • Meetings • Seminars • Exchange activities
Suppliers and business partners	• Compliance operations • Quality of products and service	• Agreements • Tenders • Review and evaluation
Employees	• Remuneration and benefits • Working environment and safety • Diversification and equal opportunities • Training and room for career development	• Forums • Staff training • Group activities for employees • Staff satisfaction survey • Monthly magazine of the Company
Game players	• Product quality • Personal privacy protection	• Company's website • Online customer services • User service agreement • Online and offline promotion activities
Community	• Community development • Community services • Employment opportunities • Ecological environment	• Community activities • Volunteer activities • Media enquiries • Promotion activities • Community communication meetings • Press releases and announcements

MATERIALITY ASSESSMENT

In order to ensure that this report has comprehensively covered and responded to the key matters of concern to stakeholders, in addition to regular communication with stakeholders, the Group has made reference to certain information such as the matters covered in environmental, social and governance report of the previous year, internal policies of the Company, industry trends and the Materiality Map introduced by the Sustainability Accounting Standards Board, to identify issues that have potential and practical impact on the sustainable development of the Group. The Group has analysed and prioritised the environmental, social and governance issues based on certain factors such as its strategies, development and objectives, and the results are as follows:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES

1. Exhaust gas and greenhouse gas emissions
2. Hazardous waste
3. Non-hazardous waste
4. Energy consumption
5. Water consumption
6. Environment and natural resources
7. Climate change
8. Employment
9. Employees' health and safety
10. Employees' development and training
11. Labour standards
12. Supply chain management
13. Product responsibility
14. Anti-corruption
15. Social responsibility

ENVIRONMENT

Emissions

As a game publisher and developer, the Group's business does not have a significant impact on environment. However, the Group still pays attention to environmental protection. The Group has established environmental, social and governance policies and procedures, and has incorporated the concept of sustainable development into its daily management to enhance the environmental awareness of the employees of the Group. The Group strictly abides by relevant laws and regulations on environmental protection, including but not limited to Environmental Protection Law (《環境保護法》), Law on Air Pollution Prevention and Control (《大氣污染防治法》), Water Pollution Prevention and Control Law (《水污染防治法》), Solid Waste Pollution Prevention and Control Law (《固體廢物污染環境防治法》) and Energy Conservation Law (《節約能源法》) of the PRC.

Exhaust gas

The Group's ordinary course of business does not involve significant gaseous fuel consumption emissions. The most significant source of gas emissions of the Group is from vehicles owned by the Group. The types and volumes of these emissions of the Group during the year ended 31 December 2020 were as follows:

MAJOR EMISSIONS	UNIT	2020 VOLUME	2019 VOLUME
Nitrogen Oxides (NO_x)	kg	29.44	17.85
Sulphur Oxides (SO_x)	kg	0.07	0.04
Particulate Matter	kg	2.82	1.71

Emissions of nitrogen oxides, sulphur oxides and particulate matter increased due to the addition of a new vehicle to the Group during the reporting period. The Group has actively implemented certain vehicle management measures to reduce vehicle emissions, please refer to the section headed "Measures to mitigate emissions" in this report for details.

Greenhouse gas

The direct greenhouse gas emissions of the Group mainly come from combustion of fuels by vehicles within the Group, while indirect greenhouse gas emissions mainly come from purchased electricity, paper disposal and aircraft travelled on by employees for business trips.

MAJOR TYPES OF EMISSIONS	UNIT	2020 VOLUME	2019 VOLUME
Scope 1			
Fuel combustion of vehicles:			
Carbon Dioxide (CO_2)	Tonnes of carbon dioxide equivalent	11.27	6.47
Methane (CH_4)	Tonnes of carbon dioxide equivalent	0.03	0.01
Nitrogen Oxides (N_2O)	Tonnes of carbon dioxide equivalent	1.64	0.94
Total emissions from fuel combustion by vehicles	Tonnes of carbon dioxide equivalent	12.94	7.42
Scope 2			
Electricity (1)	Tonnes of carbon dioxide equivalent	825.39	640.53
Scope 3			
Waste paper	Tonnes of carbon dioxide equivalent	7.82	6.99
Business trips by employees	Tonnes of carbon dioxide equivalent	131.63	129.46
Total emissions			
Total emissions	Tonnes of carbon dioxide equivalent	977.78	784.40
Total emission intensity	Tonnes of carbon dioxide equivalent/ square metre (2)	0.07	0.15

Notes:

(1) The greenhouse gas emission factors for purchased electricity were adopted from the 2019 China Regional Grid Baseline Emission Factor Results (《2019年度中國區域電網基準線排放因子結果》) issued by the Ministry of Ecology and Environment (生態環境部) of the People's Republic of China and the 2019 Sustainable Development Report (《2019年可持續發展報告》) issued by HK Electric (港燈).

(2) The total office area of the Group was 13,210 square metres (2019: 5,338.4 square metres).

Comparing to the year of 2019, this report covers more offices, and therefore, greenhouse gas emissions for this reporting period increased in terms of volume, but decreased in terms of emission intensity. The Group is committed to reducing greenhouse gas emissions through vehicle management measures, energy saving policies and green measures, with an aim to achieve the target of maintaining or reducing total greenhouse gas emissions intensity in the next reporting year, on the basis of that in 2019. The total greenhouse gas emissions intensity for 2020 did not fully reflect the data of the Group for the full operation in the year due to the temporary suspension of work and reduced employee travel resulting from the impact of the COVID-19 pandemic during the reporting period, therefore the emission target is based on the data for 2019.

Measures to mitigate emissions

In order to effectively reduce the emissions generated by the Group, the Group has adopted several measures for the management of vehicles, including but not limited to, reasonable use of vehicles, prohibition of private use and strict approval for long-distance travel arrangements to reduce unnecessary travel. The Group's vehicles are examined and maintained on a weekly basis to enhance fuel efficiency. Due to these measures, the Group has been maintaining a relatively low level of emissions, and such emission level does not pose significant environmental and social impacts.

Hazardous waste

In light of the Group's business nature, the Group does not produce any material hazardous waste in its ordinary course of business.

Non-hazardous waste

The solid emissions of the Group mainly come from various types of recyclable and non-recyclable daily office waste, such as paper, office supplies, plastics and epidemic prevention supplies like masks, generated from the offices of the Group.

Details of the emissions data of the Group during the year ended 31 December 2020 were as follows:

TYPE OF WASTE	UNIT	2020 VOLUME	2019 VOLUME
Non-hazardous waste	Tonnes	104.90	21.77
Non-hazardous waste intensity	Tonnes/number of employees	0.11	0.03

Comparing to the year of 2019, this report covers more offices, and due to the COVID-19 pandemic, the non-hazardous waste generated increased during this reporting period.

Measures to reduce waste generation

The Group actively promotes Green Office practices, and adheres to the four "Rs" principle of environmental protection (Reduce, Reuse, Recycle, Replace) in its daily operation, aiming to minimise the generation of waste and maximise the efficient use of resources.

In terms of paper consumption, the Group promotes a paperless office, including but not limited to the following measures:

- Double-sided printing is set for printers by default; employees are required to use double-sided photocopying and reuse single-sided paper without confidential information for draft photocopying;
- Employees are encouraged to use online communication;
- Waste paper recycling bins are set up to separate waste paper for recycling; and
- Publications and information are released in digital version, such as the Group's annual and interim reports.

During the year ended 31 December 2020, the papers recycled by the Group amounted to approximately 220 kg (2019: 178 kg). The Group has adopted the above measures, with an aim to achieve the target of reducing the non-hazardous waste intensity by 5% in the next reporting year, on the basis of that in 2020.

Use of Resources

The Group's energy consumption mainly comes from purchased electricity. The water consumption of the Group's Hong Kong, Shenzhen and Shanghai offices is charged as part of their property management fees. Accordingly, the Group's water consumption figure only took into consideration the water consumption of its Beijing and Yichun offices, which was charged separately, and did not include the data for its Hong Kong, Shenzhen and Shanghai offices. For details of the energy efficiency policy and green practices adopted by the Group, please refer to the following section headed "Energy use efficiency" in this report.

Total energy consumption

TYPE OF ENERGY	UNIT	2020 CONSUMPTION	2019 CONSUMPTION
Electricity			
Total electricity consumption	kWh	938,217.74	721,965.10
Total electricity consumption intensity	kWh/m^2	71.02	133.24
Water			
Total water consumption	m^3	645.27	600
Total water consumption intensity	m^3/m^2	0.82	1

Energy use efficiency

In terms of electricity consumption, the Group adopts low-consumption and recyclable energy-saving lights for office lighting to reduce its electricity consumption for lighting products and thus related carbon emissions. The Group has also posted notices near various power switches to encourage employees to switch off equipment and power when they leave the premises or when they are not using it. The temperature in the Group's offices is maintained at 24 degrees Celsius or above to reduce unnecessary energy use.

In terms of water consumption, the Group adopts various water-saving measures, such as cleaning staff regularly patrolling the toilets to prevent leakage of water taps. Reminders are posted in prominent places in toilets to remind employees to save water.

Due to the above measures, as well as the temporary suspension of work as a result of the COVID-19 pandemic, the Group has been maintaining a relatively low level of electricity and water consumptions. Although such consumption level does not pose significant environmental and social impacts, the Group still aims to achieve the target of maintaining or reducing the total electricity consumption intensity and the total water consumption intensity in the next reporting year, on the basis of that in 2019. Similarly, the total electricity consumption intensity and water consumption intensity for 2020 did not fully reflect the data of the Group for the full operation in the year due to the temporary suspension of work resulting from the impact of the COVID-19 pandemic, therefore the energy use efficiency is based on the data for 2019.

Suitable water sources

The Group has not encountered any difficulties in sourcing suitable water sources, and each of its offices has a stable water supply which meets its daily operational needs.

Packaging materials

In light of the Group's business nature, the Group does not involve any material usage of packaging materials in its ordinary course of business.

Environment and Natural Resources

The Group does not have significant impacts on environment or natural resources in its daily operation. The Group has always adhered to the principle of environment and natural resources protection in the course of its operations, complied with environmental, social and governance policies and procedures, applied relevant energy saving policies and green measures, and strived to avoid causing significant impacts on the environment or over-consumption of natural resources.

Climate Change

In response to international concerns about climate change, the Group has included climate change related risks as one of its environmental, social and governance issues, and has made relevant disclosures in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures.

The potential financial risk arising from climate change was mainly caused by two major risk factors, namely physical and transitional risks. The Group has identified risks that potentially affect its business. Among which, acute physical risks refer to the loss of assets or disruptions to supply chain due to extreme weather conditions such as intensive flooding; chronic physical risks refer to the increase in electricity consumption due to persistent high temperatures and its subsequent impact on operating costs; and transitional risks refer to the market risk of consumers switching to products that actively incorporate environmental concepts into their games. Due to the locations and nature of the Group's business, the physical risks identified by the Group do not have a significant impact on its business. The transitional risks identified by the Group do not have a significant impact as the Group strictly controls game distribution process and is committed to producing high quality products to meet consumer and market expectations.

Nevertheless, the Group also reviews the potential impact of climate change on its business on an annual basis, and adopts corresponding measures to mitigate any potential risks.

SOCIAL

Employment

The Group firmly believes that its employees are the most valuable assets of an enterprise and one of the most important factors for the sustainable development and success of the Group. The Group strictly complies with all employment-related laws and regulations, including but not limited to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Labour Law of the PRC (《中華人民共和國勞動法》), the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), the Law on the Protection of Rights and Interests of Women (《婦女權益保障法》), Provisions of the State Council on Working Hours of Workers and Staff (《國務院關於職工工作時間的規定》), the Law on the Protection of Disabled Persons (《殘疾人保障法》) and the Social Insurance Law of the PRC (《社會保險法》).

The Group has adopted policies such as the Employee Handbook (員工手冊), the Management System of Employee Recruitment, Departure and Re-designation (員工入職離調管理制度), and the Employee Development Management Measures (員工發展管理辦法) to regulate the workflow of recruiting, induction and training, employee transfers, dismissals and promotions, in order to standardise its workflow and improve its efficiency. The Group is committed to creating a corporate culture centred on the "battleman (戰功者)", providing the "battleman" with an innovative working environment, and providing business-oriented and market-competitive remuneration and incentive systems. It is also committed to building diverse and non-discriminatory inclusive working environments, strictly forbids any harassment and inappropriate behaviour, provides a promotion and development system for career ranks, and creates a fair, equal, respectful and open corporate development environment, so that the value of the Group's talents can be reflected on, assessed and rewarded fairly. The Group ensures that employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status or family status during recruitment and promotion.

The Group recruits talented candidates with good attributes based on its business planning and needs, and uses structured interview tools, such as written tests and background checks as far as possible, to assess candidates for positions at junior manager level or above, so as to maintain the fairness of recruitment and avoid the subjective personal judgement of interviewers on the strengths and weaknesses of the candidates. The Group also highly values career management of its employees, and accordingly has set up two development paths for employees, namely the professional and management paths. The Group provides two opportunities for applying for job promotion each year, in order to encourage its employees to fully realise their career development potential.

The Group invests resources to attract, retain and motivate talents. By providing employees with competitive remuneration packages and benefits, the Group hopes to attract high-calibre talents in the market and motivate its existing employees. The Group regularly reviews the remuneration package of its employees and makes necessary adjustments to conform to market expectations. The Group's employees work 8 hours per day, 40 hours per week on average and at least 1 day off per week. In addition to basic salary, statutory social insurances and housing fund, as well as basic statutory festive holidays and public holidays, the Group's employees are also entitled to welfare leave and additional welfare allowances, including but not limited to:

- meal allowance and afternoon tea;
- snack store selling at half-price;
- birthday gifts;
- festival gifts;
- red packets for Lunar New Year;
- fitness programme; and
- annual body check.

In order to enhance team cohesion and create a harmonious working atmosphere, the Group regularly organises various holiday activities and group gatherings, such as birthday parties, sports days, International Women's Day, Children's Day and overseas tours.

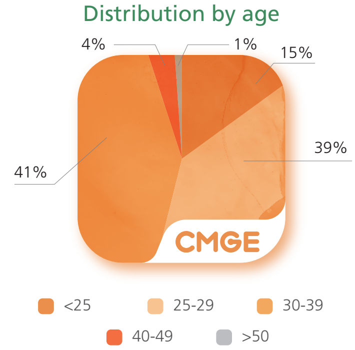
Total number and classification of employees

As at 31 December 2020, the total number of employees of the Group was 1,000, and the details of employees are as follows:

TOTAL NUMBER OF EMPLOYEES	
Total number of employees	1,000
Gender distribution of employee	
Female	350
Male	650
Age profile	
<25	150
25-29	388
30-39	414
40-49	42
>50	6
Number of employees by different employment types	
Full-time	994
Part-time	6
Number of employees by geographical areas	
Beijing	488
Shenzhen	393
Shanghai	68
Guangzhou	28
Yichun	9
Chengdu	6
Hong Kong	8

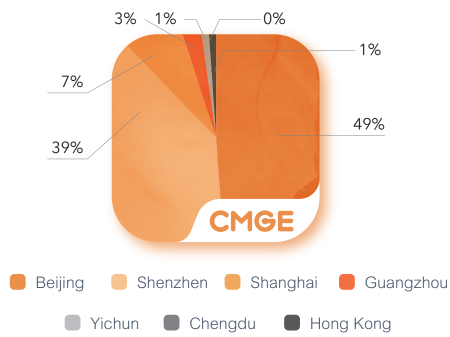
Distribution by gender

Distribution by age



Number of employee by employment type

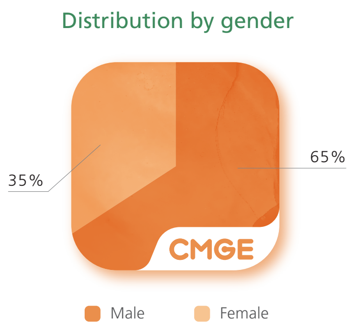
Number of employee by geographical areas

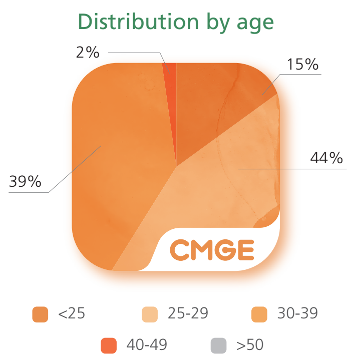


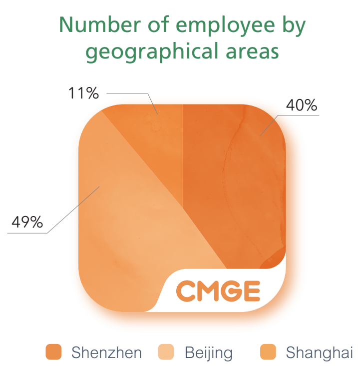
Employee turnover ratio

Details of the employee turnover rate of the Group as at 31 December 2020 were as follows:

TOTAL EMPLOYEE TURNOVER		
	Number of employees	**% of total number of employees**
Total turnover	226	23%
Distribution by gender		
	Number of employees	**% of total turnover**
Female	79	35%
Male	147	65%
Distribution by age		
	Number of employees	**% of total turnover**
<25	34	15%
25-29	99	44%
30-39	89	39%
40-49	4	2%
>50	0	0%
Number of employee turnover by geographical areas		
	Number of employees	**% of total turnover**
Shenzhen	90	40%
Beijing	111	49%
Shanghai	25	11%







HEALTH AND SAFETY

The Group strictly complies with the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Law on the Prevention and Control of Occupational Diseases of the PRC (《中華人民共和國職業病防治法》), the Provisions on the Supervision and Administration of Occupational Health at Work Sites (《工作場所職業衛生監督管理規定》) and other applicable laws and regulations in the PRC. As for laws and regulations regarding occupational health standards and safe production in the PRC, the Group did not record any material non-compliance during the year ended 31 December 2020. Due to the nature of the Group's business, employees mainly work in the office and the chance of encountering work-related injuries is low. Therefore, the Group did not have any serious work-related injuries and death for the past three years, including this reporting period. The Group has established various occupational health and safety measures including purchase of commercial medical and accident insurance, health check-ups for employees and safety guidelines for staff induction training to enhance their safety awareness.

In addition, to create and maintain a good, comfortable and healthy working environment, the Group has implemented a series of policies:

- to maintain accessibility of emergency exits in workplace;
- to provide adequate illumination and moderate temperature in workplace;
- to ensure no smoking is allowed in workplace; and
- to conduct safety inspections and fire drills regularly in workplace.

In addition to maintain a safe and comfortable working environment, the Group understands the importance of work-life balance and has therefore implemented relevant measures to encourage employees to make good use of their leisure time. The Group organises various recreational activities for its employees, including holiday activities, weekend ball games and overseas trips, to build up a sense of belonging and team spirit among the employees. The Group also regularly organised various health clubs, including fitness club, yoga club, basketball club, badminton club and football club, to provide employees with various sports programmes, which are beneficial to their physical and mental health. However, during the COVID-19 pandemic, to ensure the safety of employees and the community, the Group temporarily suspended recreational and health clubs activities where people gathered, to reduce social contact and prevent the spread of virus in the community.

As the COVID-19 pandemic became a public health issue, the Group has set up an epidemic prevention and control team to ensure the health and safety of our employees and their families, and has taken relevant countermeasures:

- to arrange employees to work from home;
- to clean and sterilise workplace on a regular basis to maintain environmental hygiene;
- to establish employees' health records, measure and record the body temperature of all employees entering the workplace, and require the employees to report their travel history; and
- to provide employees with epidemic prevention supplies, such as medical surgical masks, hand sanitiser and disinfectant hand rub.

The Group will continuously assess the development of the epidemic and regularly review the relevant countermeasures in accordance with government specifications to ensure the effectiveness of such measures.

DEVELOPMENT AND TRAINING

The Group values talent training and believes that employees will continue to grow along with the Group's business expansion, and provides targeted, systematic and forward-looking training for employees to ensure that they can quickly meet the needs of relevant positions and explore their potential to support the sustainable development of the Group. At the same time, the Group believes that the skills and experience of employees are important factors for the long-term development of the Group. Therefore, in addition to the Employee Handbook (員工手冊) and the Employee Development Management Measures (僱員發展管理辦法), the Group has also adopted the Training Management Measures (培訓管理辦法) to enhance employees' work performance through effective training, coaching and on-the-job development. In addition, the Group has sufficient training opportunities for employees of different departments and levels every year.

The training of the Group mainly divided into internal training and external training. The Group provides necessary internal training for relevant operational positions based on the development needs of the Group, including internal sharing among departments, cross-department sharing and training. The Group also commissioned external professional training providers to provide professional training courses, including induction training, external training, and certification training involving enterprise qualification certification, to the Group's technical staff.

In addition, the Group provides different types of training for employees of different ranks, such as training for new employees recruited publicly, training for new employees recruited from schools and training for trainees. The Group provides position-based vocational training, including general ability training and professional ability training. The Group also provides leadership development training, including project manager training (professional direction), high potential mandatory training (management direction), cadre training and senior management training.

STAFF TRAINING		
	Number of employees	**% of total number of employees**
Total number trained	752	75%
Gender		
	Number of employees	**% of total number of employees trained**
Female	266	35%
Male	486	65%
Type of employee		
	Number of employees	**% of total number of employees trained**
Junior staff	705	94%
Middle and senior staff	47	6%
Training hours		
Total hours (hours)	3,602	
Average training hours completed (by gender)		
Female (hours)	5.36	
Male (hours)	4.48	
Average training hours completed (by type of employee)		
Junior staff (hours)	4.91	
Middle and senior staff (hours)	3.04	

Gender

Type of employee

Labour Standards

The Group resolutely resists and opposes any form of employment of child labour and forced labour, and strictly complies with applicable PRC laws and regulations, including the Labour Law of the PRC (《中華人民共和國勞動法》), the Law on the Protection of Minors (《未成年人保護法》), the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》) when recruiting employees so as to protect their legitimate rights and interests.

The human resources department of the Group strictly monitors the recruitment process, conducts background checks on its job applicants and verifies their credentials, and will not employ any candidates if they are found not suitable. Any use of false document will be deemed as fraudulent and any related signed labour contract will be deemed invalid.

During the year ended 31 December 2020, the Group did not use any child labour or forced labour or receive any related complaints.

Supply Chain Management

The Group understands that supply chain management has an inseparable relationship with its sustainable development, and is therefore committed to establishing a long-term and harmonious cooperation relationship with its suppliers. The Group expects its suppliers to uphold the principles of integrity and pragmatism, and provide products and services in strict compliance with the requirements of applicable laws and regulations.

In order to standardise the procurement procedures of products and services and strengthen the monitoring and management of suppliers, the Group has adopted the Procurement Management System (採購管理制度) specifying the relevant approval procedure through a preliminary review of standardised suppliers' information, screening, information database management, examination of suppliers and selecting suppliers to properly manage the environmental and social risks of the Group's supply chain.

When selecting potential suppliers, the supplier investigation team, comprising the requesting department, and members from the Group's finance, internal audit and administration departments, will conduct a preliminary investigation on the candidates from different channels to understand the scale of the suppliers, their professional qualifications, speed of response, service quality and reputation in the industry. Suppliers are included in the list of qualified suppliers only after passing the inspection by the supplier investigation team. Considering the potential environmental and social impacts of the supply chain, the Group takes into account environmental protection, occupational health and safety, labour rights and compliance with laws and regulations when selecting potential suppliers, with an aim to bringing positive impacts to the entire supply chain. For example, when inviting bids from travel suppliers, the Group requires the bidders to comply with the Bidding Law of the PRC (《中華人民共和國招標法》) and the Procurement Law of the PRC (《中華人民共和國採購法》) in the bidding process. Bidders are also required to protect the safety of employees in accordance with the Labour Law of the PRC (《中華人民共和國勞動法》) and the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》). The Group also requires its bidders to pay taxes according to law.

To ensure the quality of suppliers, the Group closely monitors the performance of suppliers and reviews approved suppliers on an annual basis. The performance of suppliers is assessed based on price, quality, delivery schedule and volume, service and other aspects. In addition, the Group will also continuously evaluate and monitor suppliers for their track record of handling social issues in the past. For suppliers who fail to meet the standards of the Group, the cooperation with these suppliers will be terminated after the Group rated them as "rectification is needed" for two consecutive times.

For the year ended 31 December 2020, the Group has 33 major qualified suppliers, all of which are located in Mainland China.

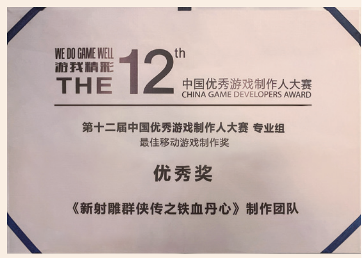
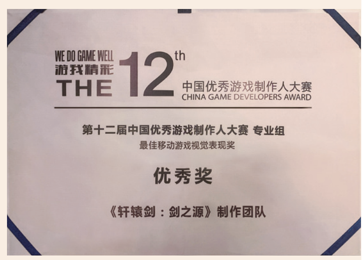
Product Responsibility

The Group believes that maintaining good game services is crucial to its sustainable development and is the key to its success. Therefore, the Group is committed to publishing high-quality games and having stringent game selection procedures to ensure better gaming experience for players. The Group continues to improve its technical services and player services and provides valuable technical support to game developers according to their specific needs. The Group continues to implement its long-term strategies, including improving service quality by analysing the data collected and enhancing player loyalty and satisfaction by improving the quality of the games based on the Group's understanding of player preferences. The Group will also upgrade the data collection system and big data platform to more accurately analyse player behaviour and more effectively monetise the value of games. The Group also enhanced its game development capabilities by investing more in research and development.

In addition, the Group has established a relatively comprehensive game development and publishing process, and will produce the display version of its games and conduct multiple rounds of testing before the games are officially approved for publishing to ensure the quality of the games and player experience.

The Group has accumulated a closed loop of IP game ecosystem of "IP resources - game development - global distribution - IP whole industry chain development and cooperation", and the games launched with IP as the core have received tremendous support and numerous recognitions from game players and business partners. As one of the world's leading IP-based game operators, the Group and its games have received various awards on different ceremonies. Awards and honors received by the Group and two of its games during the year are as follows:

Ceremony	Organiser	Game/enterprise/ entrepreneur	Award/honor
Chinese Game Industry Annual Conference and "Golden Finger Award 2020" in the Chinese Game Industry (中國遊戲行業年會暨2020年度中國遊戲行業「金手指」獎)	China Culture & Entertainment Industry Association (中國文化娛樂行業協會)	The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart (新射鵰群俠傳之鐵血丹心)	Chinese Game Industry Outstanding Mobile Game 2020 (2020年度中國遊戲行業優秀手機遊戲)
		Xuan Yuan Sword – the Origin (軒轅劍：劍之源)	Chinese Game Industry Outstanding Mobile Game 2020 (2020年度中國遊戲行業優秀手機遊戲)
		The Group	Outstanding Enterprise in the Chinese Game Industry 2020 (2020年度中國遊戲行業優秀企業)
		The executive director, chairman and chief executive officer of the Group	Outstanding Entrepreneur in the Chinese Game Industry 2020 (2020年度中國遊戲行業優秀企業家)

Ceremony	Organiser	Game/enterprise/ entrepreneur	Award/honor
"Golden Diamond Award" at the Association of Game Industry of Guangdong Annual Conference 2020 (2020年廣東遊戲產業年會暨「金鑽榜」)	Association of Game Industry of Guangdong (廣東省遊戲產業協會)	The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart (新射鵰群俠傳之鐵血丹心)	Most Popular Online Game 2020 (2020最受歡迎網絡遊戲)
		Xuan Yuan Sword – the Origin (軒轅劍：劍之源)	The Best Chinese Game 2020 (2020最佳國產遊戲)
		The Group	Most Influential Enterprise of 2020 (2020最具影響力企業) 
The 12th China Game Developers Award (第十二屆中國優秀遊戲製作人大賽)	Mobile Game Entrepreneur Alliance (MGEA) (移動遊戲企業家聯盟) and Beijing Hanwei Xinheng Culture and Communication Co., Ltd. (北京漢威信恒文化傳播有限公司)	The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart (新射鵰群俠傳之鐵血丹心)	Best Mobile Game Production Award (最佳移動遊戲製作獎) 
		Xuan Yuan Sword – the Origin (軒轅劍:劍之源)	Best Mobile Game Visual Performance Award (最佳移動遊戲視覺表現獎) 

Ceremony	Organiser	Game/enterprise/ entrepreneur	Award/honor
Digital Entertainment Industry Annual Summit (DEAS) 2020 and the 15th Golden Plume Award (2020數字娛樂產業年度高峰會暨第十五屆金翎獎)	Mobile Game Entrepreneur Alliance (MGEA) (移動遊戲企業家聯盟) and Beijing Hanwei Xinheng Culture and Communication Co., Ltd. (北京漢威信恒文化傳播有限公司)	The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart (新射鵰群俠傳之鐵血丹心)	Players' Favourite Mobile Online Game Award (玩家最喜愛的移動網絡遊戲獎)
		The Group	Most Influential Mobile Game Publisher (最具影響力移動遊戲發行商) 
2020 Mobile Game Association Summit Forum and the 5th Yuding Awards (2020遊聯社高峰論壇暨第五屆「遊鼎獎」)	shouyoujz.com (手遊距陣), GameTHK (遊戲智庫), GamesRes (遊資網), Game Forum (遊戲論壇), yxrb.net (遊戲日報)	The New Legend Of The Condor Heroes: Iron Blood and Loyal Heart (新射鵰群俠傳之鐵血丹心)	Most Popular Game of the Year (年度最具人氣遊戲獎)
		Xuan Yuan Sword – the Origin (軒轅劍:劍之源)	Best Game of the Year (年度最佳遊戲項目獎)
Best Listed Company in Greater China Region 2020 (大中華區最佳上市公司2020)	Gelonghui (格隆匯)	The Group	Most Valuable Brand of the Year (年度最具品牌價值獎)
2021 Financial TMT "Leader List" (2021財經TMT「領秀榜」)	telworld.com.cn (運營商財經網)	The Group	Best Game Brand Enterprise 2020 (2020年度最佳遊戲品牌企業)

The Group will launch more quality IP-based games to reward and meet the expectations of players and the market.

In order to reduce the chance of myopia among children, the Chinese government has a myopia prevention program, which plans to regulate the number of new online games and limit the time spent by children on electronic devices. Accordingly, eight national government-level PRC regulatory authorities, including the National Radio and Television Administration (廣電總局), Administration of Press and Publication (國家新聞出版署) and the Ministry of Education (教育部), jointly issued the Notice of Issuance of the Implementation Plan for Integrated Prevention and Control Program of Myopia among Children and Teenagers (《綜合防疫兒童青少年近視實施方案》) on 30 August 2018. Hence, the Group takes active and effective measures to protect the physical and mental health of minors, which include launching and implementing the Parents' Guardian Project of Minors Online Games (網絡遊戲未成年人家長監護工程) by setting up special monitoring channels for parents on the homepage of games to guide the healthy participation of minors in online games. In addition, the Group participated in the research and development of four group standards, namely, Game Age-Appropriate Tips Specification (《遊戲適齡提示規範》), Parental Monitoring Platform Specification (《家長監護平台規範》), Online Game Terminology (Group Standards) (《網絡遊戲術語》團體標準) and Game Enterprise Content Self-assessment Process Specification (《遊戲企業內容自審流程規範》), and worked with departments such as the Publicity Department of the Communist Party of China (中共中央宣傳部), China Press and Publication Research Institute (中國新聞出版研究院) and enterprise representatives of the drafting group to promote the standardisation of the industry, so as to facilitate the healthy development of the game industry.

The Group is also committed to comply with laws and regulations related to product responsibility, which include the Provisions on the Administration of Online Publishing Services (《網絡出版服務管理規定》), the Measures for the Administration of Internet Information Services (《互聯網信息服務管理辦法》) and the Interim Measures for the Administration of Online Games (《網絡遊戲管理暫行辦法》), while ensuring that all games have obtained the Online Publishing Service License (《網絡出版服務許可證》). The advertisements released by the Group were also in line with the relevant regulatory requirements, including the Advertising Law of the PRC (《中華人民共和國廣告法》).

During the year ended 31 December 2020, the Group did not receive any material complaints and compensation requests from audiences and customers as a result of deceptive, unfair or inappropriate contents, poor service quality or recall game products due to safety reasons related to the Group.

Service complaints and responses

In order to establish a good relationship and a mutual trust with players, the Group has established a written customer complaint handling procedure, which is handled by the Group's customer service department, to deal with players' enquiries and complaints. The customer service representatives will handle customers' complaints and requests with patience. Every complaint will be recorded in a standardised customer complaint record, which includes work order number, game name, user source, label of the work order, staff code of customer service representative, processing time of work order, complaint content and handling results, to facilitate the customer service department to follow up and improve in the future, and also to serve as a source of information for the Group to improve its game quality.

Intellectual property

Intellectual property rights are extremely important to the business of the Group, and the Group is committed to protecting intellectual property rights. The Group's copyright centre is responsible for monitoring the risk of infringement of its intellectual property rights. The Group stringently controls the authorisation procedures of IP. Before entering into an IP licensing agreement, the copyright centre conducts independent background checks on the identity of the legal owner of the IP. For games developed based on IP licensed from game developers, the copyright centre also requires the game developers to provide authorisation letters issued by the IP owners to the Group. Before entering into a game licensing agreement, the copyright centre requires the relevant game developer to provide its software copyright registration certificate, and such game licensing agreement also contains an undertaking by the game developer as the legal owner of the game copyright. The Group has established the Measures for the Administration of Trademarks and Computer Software Copyright (商標及電腦軟件著作權管理辦法) to regulate the application process of its trademarks and copyrights. The Group has also included information such as application number, application date and duration of the software copyrights and trademarks of the Group in a Copyright List (著作權清單).

In order to continuously monitor the abuse of the Group's IP rights by others, the business department of the Group regularly searches for the application of market and distribution platforms to determine whether the Group's games are being infringed. Once a game infringement is discovered, the business department collects and compiles evidences and submits them to the relevant application market or publishing platform to request for removal of the infringing games. If the application market or publishing platform fails to remove the infringing games within the prescribed period, the Group will issue a legal letter to them. The Group will also consider initiating legal proceedings against infringing application markets or distribution platforms and infringing game developers.

Privacy protection policy

The Group emphasises the protection of personal data to safeguard business and personal privacy. To this end, the Group has formulated the Information Security Management System (資訊安全管理系統) to regulate the organisation, storage, confidentiality and use of files to reduce the risk of data leakage. Employees are required to keep the information and data necessary for their work properly and keep them confidential. Important information, electronic files and important data are backed up regularly to prevent data loss due to mechanical failure or accidental deletion. In addition, the Group has clearly stated in its Employee Handbook (員工手冊) that employees must strictly keep the Group's information confidential, and must not disclose confidential information of the Group to other unrelated employees or external parties. In the event that the leakage of the Group's confidential information results in losses to the customers and the Group, the Group will impose penalties or pursue legal liabilities in accordance with the Group's internal stringent procedures to protect the interests of the Group and its customers. The Group strictly adheres to Network Security Law (《網絡安全法》), and there were no incidents of non-compliance in relation to data privacy during the year ended 31 December 2020.

Improving network security management

In order to reduce the Group's exposure to cyber-attacks, the Group has developed a series of network security management measures, including prohibition of (i) employees from browsing or logging on unknown illegal websites, browsing illegal information and sending or receiving emails related to the above contents; (ii) downloading and installing virus spreading and hacker programmes on the Internet or by disks; (iii) assessing to unauthorised computer systems to change system information and user data; and (iv) attacking other computers or servers of the Group in any form. All computer equipment must be installed with anti-virus software on a uniform basis, and no measures such as unauthorised anti-virus software and personal firewalls are allowed to be installed in computers without the consent of the Group's technology centre.

Anti-corruption

The Group strictly complies with the relevant laws and regulations, including the Anti-Money Laundering Law (《反洗錢法》), the Anti-Unfair Competition Law (《反不正當競爭法》) and the Criminal Law of the PRC (《刑法》), and adheres to the fundamental standards of integrity and self-discipline. All Directors of the Group have received corporate governance training provided by the Group before listing or in induction, so that the Directors would clearly understand their responsibility and exercise their fiduciary duties. The Group also encourages the Directors to participate in continuous professional development activities, and will arrange relevant trainings according to the actual needs. The Group's Employee Handbook (員工手冊) clearly states the business conducts and professional ethics that employees should strictly follow, and prohibits any acts such as bribery, insider trading and fraud. The Group offers new employee induction training at the time when employees join, which includes training on basic ethics such as anti-corruption. For the year ended 31 December 2020, the Group provided more than 10 sessions of new employee induction training.

If any employee finds any violation, he/she can report to the head of the Group's internal audit department through the reporting mailbox or the reporting hotline provided by the Group. The department is responsible for investigating and collecting evidences and submitting the same to the Audit Committee. The head of the audit department will determine the corresponding penalties for the violations based on the nature, severity and evidences obtained.

During the year ended 31 December 2020, the Group was not aware of any violations of corruption, bribery, extortion, fraud or money laundering related to the Group.

Social Responsibilities

The Group upholds the philosophy of "earnestly fulfilling social responsibilities and actively carrying out community services" and regards community service as an important part of its corporate culture. Since the Group engages in game licensing and publishing business, the Group focuses on the charity for the youth and gives back to the society with a grateful heart.

The Group joined hands with China Population Welfare Foundation (中國人口福利基金會) and Lingshan Foundation (靈山基金會) to carry out a series of community services, in which two new "CMGE Dream Libraries (中手游築夢圖書館)" were completed when the COVID-19 pandemic was alleviated. As at 31 December 2020, seven "CMGE Dream Libraries (中手游築夢圖書館)" have been completed and put into use.

The sixth and the seventh "CMGE Dream Libraries (中手游築夢圖書館)" were completed on 12 June 2020 and 18 September 2020, respectively, at Xinquan School (新泉學校) in Xinquan Street, Xinquan Township, Luxi County, Pingxiang City, Jiangxi Province (江西省萍鄉市蘆溪縣新泉鄉新泉街) and Zhuying Primary School (朱郢小學), Huoqiu County, Lu'an City, Anhui Province (安徽省六安市霍邱縣). These are another two libraries planned after Chengping Primary School (承平小學) in Yunan County, Yunfu City, Guangdong Province (廣東省雲浮市鬱南縣), Shangquyang Primary School (上曲陽小學) in Zhengding County, Shijiazhuang City, Hebei Province (河北省石家莊市正定縣), Zhonghe School (中和學校) in Meihekou City, Jilin Province (吉林省梅河口市), Qianjin Primary School (前進小學自由分校) in Chunwan Town, Yangchun City, Guangdong Province (廣東省陽春市春灣鎮) and Dongbai School (東柏學校) in Jishan County, Yuncheng City, Shanxi Province (山西省運城市稷山縣). The completion of these two libraries marked that the Group has achieved more than half of its target of building at least 10 "CMGE Dream Libraries (中手游築夢圖書館)" across China.

Due to the COVID-19 pandemic, the Group did not participate in community services to reduce the risk of virus transmission in the community and employee infection during this reporting period. Although we were unable to carry out community services, the Group has organised a number of charity donations to the Hubei Charity Federation (湖北省慈善總會) during the serious outbreak of the pandemic and the shortage of medical supplies, amounting to a total of approximately RMB1.4 million to help combat the COVID-19 in Hubei Province.

As a result of its outstanding performance in corporate social responsibility, the Group was awarded the "2020 Listed Companies Social Responsibility Award (2020年度上市公司社會責任獎)" for two consecutive years at the Chinese Charity Festival (中國公益節) jointly organised by Gongyi Daily (數央公益), the Syobserve.com (數央網) and many other media. At the same time, the Group was also selected as one of the "Top 10 Best Performing Game Enterprises in Social Responsibility (社會責任履行狀況良好TOP 10 遊戲企業)" as independently evaluated by CNG (伽馬數據). The Group will continue to contribute to the future prosperity and growth of the youth, promote the established social welfare projects and continue to explore more different social welfare actions, so as to establish a positive coporate image for the game industry.

General disclosures and key performance indicator(s) ("KPI(s)") set out in the Environmental, Social and Governance Reporting Guide of the Stock Exchange:

Items		Descriptions	Sections for reference
A. Environmental			
A1: Emissions			
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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPIs	A1.1	The types of emissions and respective emissions data.	Exhaust gas
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total and intensity.	Greenhouse gas
	A1.3	Total hazardous waste produced and intensity.	Not applicable
	A1.4	Total non-hazardous waste produced and intensity.	Non-hazardous waste
	A1.5	Description of emission target(s) set and steps taken to achieve them.	Greenhouse gas and measures to mitigate emissions
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Measures to reduce waste generation
A2: Use of Resources			
General Disclosure		Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPIs	A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Total energy consumption
	A2.2	Water consumption in total and intensity.	Total energy consumption
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy use efficiency
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Suitable water sources and energy use efficiency
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	Not applicable
A3: The Environmental and Natural Resources			
General Disclosure		Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environment and Natural Resources
KPI	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and Natural Resources

Items		Descriptions	Sections for reference
A. Environmental			
A4: Climate Change			
General Disclosure		Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them.	Climate Change
B. Social			
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.	Employment
KPIs	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Total number and classification of employees
	B1.2	Employee turnover rate by gender, age group and geographical region.	Employee turnover ratio
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.	Health and Safety
KPIs	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
	B2.2	Lost days due to work injury.	Health and Safety
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety

Items		Descriptions	Sections for reference
B. Social			
B3: Development and Training			
General Disclosure		Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPIs	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
	B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
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
KPIs	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
	B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
B5: Supply Chain Management			
General Disclosure		Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPIs	B5.1	Number of suppliers by geographical region.	Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

Items		Descriptions	Sections for reference
B. Social			
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.	Product Responsibility
KPIs	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
	B6.2	Number of products and service related complaints received and how they are dealt with.	Service complaints and responses
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual property
	B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Privacy protection policy and improving network security management
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
KPIs	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
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
	B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption

Items		Descriptions	Sections for reference
B. Social			
B8: Social Responsibility			
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.	Social Responsibilities
KPIs	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Social Responsibilities
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Social Responsibilities

To the shareholders of CMGE Technology Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CMGE Technology Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 101 to 187, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
The carrying value of goodwill amounted to RMB1,108 million as at 31 December 2020. The Group is required to perform the impairment test for goodwill annually. The impairment test is based on the recoverable amounts of the respective cash-generating units ("CGUs") to which the goodwill is allocated. Management performed the impairment test using the value-in-use calculation based on the discounted cash flow method. Management also involved external experts to perform impairment assessment on the respective CGUs. Assumptions such as discount rate and long-term growth rate were set up applying significant judgements and estimates. The Group's disclosures about impairment of goodwill are included in note 2.4, note 3 and note 15 to the financial statements.	Our procedures in relation to management's goodwill impairment test included: Assessed the competence, capabilities and objectivity of the Group's external experts; Involved our internal valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group and external experts, in particular, the discount rate and the long-term growth rate; and Assessed the reasonableness of the forecasts used in the impairment test by comparing the forecasts with the historical performance of the respective CGUs and the business development plan. We also read and assessed the Group's disclosures of goodwill.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
At as 31 December 2020, the gross carrying value of trade receivables amounted to RMB955 million for which a loss allowance of RMB72 million was recorded. Management applied judgement in assessing the expected credit losses ("ECLs"). Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for loss allowance. ECLs are also estimated by grouping the remaining receivables based on shared credit risk characteristics and ageing of billing and then collectively assessed for the likelihood of recovery, taking into account the nature of customers and ageing category, and applying the expected credit loss rates ("ECL rates") to the respective gross carrying amounts of the receivables. The ECL rates are determined based on historical credit loss experience and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. We focused on this area due to the magnitude of the trade receivables and the estimation and judgement involved in determining the expected credit loss allowance for the trade receivables. The Group's disclosures about loss allowance for trade receivables are included in note 2.4, note 3 and note 20 to the financial statements.	Our procedures in relation to management's ECL assessment on trade receivables included: Reviewed and assessed the application of the Group's policy for calculating the ECLs; Evaluated the techniques and methodology in the ECL model against the requirements of HKFRS 9; and Assessed the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are adjusted based on current economic conditions and forward-looking information and assessing whether there was an indication of management bias when recognising the loss allowances. We also read and assessed the relevant disclosures made in the financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of financial instruments	
The Group has financial instruments that have been measured at fair value where no market price has been available, and in these cases, fair value is determined using valuation models based on market data. These financial instruments are categorised as Level 2 in the fair value valuation hierarchy. The Group also has some financial instruments for which the fair value measurement has been determined using valuation models where the value is affected by input data that cannot be verified by external market data. These financial instruments are categorised as Level 3 in the fair value valuation hierarchy. The Group has financial assets categorised as Level 2 and Level 3 totalling RMB396 million and RMB922 million, respectively. Financial liabilities categorised as Level 2 and Level 3 totalled nil and RMB178 million, respectively. We focused on this area due to the high degree of judgment required in determining the respective fair values of Level 2 and Level 3 financial instruments which do not have direct open market quoted values, with respect to the adoption of applicable valuation methodology and the application of appropriate assumptions in the valuation. The Group's disclosures about fair value measurement of financial instruments are included in note 2.4, note 3, note 19, note 24 and note 36 to the financial statements.	Our procedures in relation to the fair value measurement of financial instruments included: Assessed the competence, capabilities and objectivity of the Group's external experts; Tested the key controls, on a sampling basis, in relation to the valuation process, including the adoption of the applicable valuation methodology and the application of appropriate assumptions in different circumstances, by inspecting of the evidence of management's review; Tested the relevant underlying financial projections, and involved our internal valuation specialists to assess the appropriateness of the valuation methodology and assumptions used; and Checked the accuracy of the estimates by conducting sample tests and performed our own independent valuation computation. We also read and assessed the relevant disclosures made in the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirement 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIB0ILITIES 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. Our report is made solely to you, as a body, 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIB0ILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Audit Committee, 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.

The engagement partner on the audit resulting in this independent auditor's report is TJEN, Michael.

Ernst & Young
Certified Public Accountants

Hong Kong
24 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**3,820,326**	3,036,301
Cost of sales		**(2,597,062)**	(1,953,103)
Gross profit		**1,223,264**	1,083,198
Other income and gains	5	**389,172**	95,404
Selling and distribution expenses		**(341,497)**	(230,321)
Administrative expenses		**(403,593)**	(577,451)
Impairment losses on financial and contract assets, net		**(52,290)**	(13,929)
Other expenses		**(50,450)**	(6,622)
Finance costs	7	**(35,228)**	(15,072)
Share of profits and losses of:			
A joint venture		**15**	(2,116)
Associates		**(12,591)**	10,532
PROFIT BEFORE TAX	6	**716,802**	343,623
Income tax expense	10	**(26,602)**	(100,410)
PROFIT FOR THE YEAR		**690,200**	243,213
Attributable to:			
Owners of the parent		**701,319**	248,348
Non-controlling interests		**(11,119)**	(5,135)
		690,200	243,213
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
– For profit for the year		**RMB29.92 cents**	RMB13.15 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

	2020 RMB'000	2019 RMB'000
PROFIT FOR THE YEAR	**690,200**	243,213
OTHER COMPREHENSIVE LOSS		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(8,502)**	11,284
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(8,502)**	11,284
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(66,519)**	(13,207)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(66,519)**	(13,207)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(75,021)**	(1,923)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**615,179**	241,290
Attributable to:		
Owners of the parent	**626,298**	246,425
Non-controlling interests	**(11,119)**	(5,135)
	615,179	241,290

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property and equipment	13	**5,847**	4,815
Right-of-use assets	14	**27,732**	34,138
Goodwill	15	**1,107,937**	1,118,617
Other intangible assets	16	**154,555**	154,973
Investment in a joint venture	17	**8,823**	2,008
Investments in associates	18	**96,544**	125,530
Financial assets at fair value through profit or loss	19	**1,539,312**	725,137
Deferred tax assets	26	**49,262**	8,175
Prepayments	21	**330,766**	453,972
Total non-current assets		**3,320,778**	2,627,365
CURRENT ASSETS			
Trade receivables	20	**882,644**	789,903
Prepayments, other receivables and other assets	21	**519,806**	384,211
Other current asset	21	**—**	209,286
Due from related parties	34	**13,319**	20,002
Pledged deposits	22	**799,164**	406,267
Cash and cash equivalents	22	**794,888**	771,090
Total current assets		**3,009,821**	2,580,759
CURRENT LIABILITIES			
Trade payables	23	**268,720**	169,756
Other payables and accruals	24	**572,121**	517,442
Interest-bearing bank and other borrowings	25	**451,350**	442,036
Tax payable		**137,632**	116,945
Due to related parties	34	**19,298**	20,800
Lease liabilities	14	**14,718**	16,633
Total current liabilities		**1,463,839**	1,283,612

	Notes	2020 RMB'000	2019 RMB'000
NET CURRENT ASSETS		**1,545,982**	1,297,147
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,866,760**	3,924,512
NON-CURRENT LIABILITIES			
Deferred tax liabilities	26	**53,014**	32,422
Contingent consideration for business combination	24	**—**	163,414
Lease liabilities	14	**12,890**	17,062
Total non-current liabilities		**65,904**	212,898
Net assets		**4,800,856**	3,711,614
EQUITY			
Equity attributable to owners of the parent			
Issued capital	27	**1,759**	1,641
Reserves	29	**4,702,680**	3,602,437
		4,704,439	3,604,078
Non-controlling interests		**96,417**	107,536
Total equity		**4,800,856**	3,711,614

Director:
Mr. XIAO Jian

Director:
Mr. SIN Hendrick

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the parent								
	Share capital RMB'000 (Note 27)	Capital reserve RMB'000 (Note 29)	Statutory surplus reserve RMB'000 (Note 29)	Share incentive reserve RMB'000 (Note 29)	Exchange fluctuation reserve RMB'000 (Note 29)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	—	1,273,459*	15,466*	316,321*	(1,206)*	146,018*	1,750,058	112,671	1,862,729
Profit for the year	—	—	—	—	—	248,348	248,348	(5,135)	243,213
Other comprehensive income/(loss) for the year:									
Exchange differences on translation of foreign operations	—	—	—	—	(1,923)	—	(1,923)	—	(1,923)
Total comprehensive income/(loss) for the year	—	—	—	—	(1,923)	248,348	246,425	(5,135)	241,290
Issue of shares for the Initial Public Offering ("IPO")	1,641	1,348,899	—	—	—	—	1,350,540	—	1,350,540
Share issue expenses	—	(77,988)	—	—	—	—	(77,988)	—	(77,988)
Share-based compensation (note 28)	—	—	—	335,043	—	—	335,043	—	335,043
Transfer from retained profits	—	—	2,572	—	—	(2,572)	—	—	—
At 31 December 2019	1,641	2,544,370*	18,038*	651,364*	(3,129)*	391,794*	3,604,078	107,536	3,711,614

	Attributable to owners of the parent								
	Share capital RMB'000 (Note 27)	**Capital reserve RMB'000 (Note 29)**	**Statutory surplus reserve RMB'000 (Note 29)**	**Share incentive reserve RMB'000 (Note 29)**	**Exchange fluctuation reserve RMB'000 (Note 29)**	**Retained profits RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
At 1 January 2020	**1,641**	**2,544,370***	**18,038***	**651,364***	**(3,129)***	**391,794***	**3,604,078**	**107,536**	**3,711,614**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**701,319**	**701,319**	**(11,119)**	**690,200**
Other comprehensive income/(loss) for the year:									
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**(75,021)**	**—**	**(75,021)**	**—**	**(75,021)**
Total comprehensive income/(loss) for the year	**—**	**—**	**—**	**—**	**(75,021)**	**701,319**	**626,298**	**(11,119)**	**615,179**
Issue of shares for the top-up placing	**118**	**459,278**	**—**	**—**	**—**	**—**	**459,396**	**—**	**459,396**
Share issue expenses	**—**	**(9,952)**	**—**	**—**	**—**	**—**	**(9,952)**	**—**	**(9,952)**
Share-based compensation (note 28)	**—**	**—**	**—**	**100,033**	**—**	**—**	**100,033**	**—**	**100,033**
2019 final dividend	**—**	**(75,414)**	**—**	**—**	**—**	**—**	**(75,414)**	**—**	**(75,414)**
Transfer from retained profits	**—**	**—**	**472**	**—**	**—**	**(472)**	**—**	**—**	**—**
At 31 December 2020	**1,759**	**2,918,282***	**18,510***	**751,397***	**(78,150)***	**1,092,641***	**4,704,439**	**96,417**	**4,800,856**

* These reserve accounts comprise the consolidated reserves of RMB4,702,680,000 (2019: RMB3,602,437,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**716,802**	343,623
Adjustments for:			
Finance costs	7	**35,228**	15,072
Share of profits and losses of a joint venture and associates		**12,576**	(8,416)
Gains on disposal of investments in associates	5	**(33,471)**	(38,443)
(Gains)/losses on disposal of financial assets at fair value through profit or loss	6	**(84)**	384
Dividend income from financial assets at fair value through profit or loss	5	**—**	(12,588)
Fair value gains on financial assets at fair value through profit or loss	5	**(295,899)**	(12,772)
Fair value adjustment of contingent consideration	6	**17,424**	1,490
Equity-settled share-based expense	28	**105,631**	328,088
Impairment of trade receivables	6	**52,043**	14,626
Write-off/(reversal of write-off) of prepayments	6	**13,960**	(696)
Impairment of goodwill	6	**10,680**	—
Loss on disposal of items of property and equipment	6	**56**	544
Gain on disposal of items of other intangible assets	5	**—**	(3,062)
Depreciation of property and equipment	6	**2,875**	3,989
Depreciation of right-of-use assets	6	**21,907**	18,154
Amortisation of other intangible assets	6	**79,436**	51,525
Impairment of other intangible assets	6	**430**	4,192
Increase in trade receivables		**(144,784)**	(332,098)
Increase in prepayments, other receivables and other assets		**(130,072)**	(133,681)
Decrease/(increase) in amounts due from related parties		**6,683**	(9,485)
Increase in trade payables		**109,330**	58,526
Increase in other payables and accruals		**80,696**	94,839
Decrease in amounts due to related parties		**(1,502)**	(50,477)
Cash generated from operations		**659,945**	333,334
Income tax paid		**(36,425)**	(22,936)
Net cash flows from operating activities		**623,520**	310,398

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from an associate		—	12,000
Dividends received from financial assets at fair value through profit or loss		—	12,588
Purchases of items of property and equipment	13	**(3,967)**	(3,163)
Proceeds from disposal of items of property and equipment		—	67
Additions to other intangible assets		**(120,606)**	(241,323)
Proceeds from disposal of items of other intangible assets		—	33,035
Acquisition of subsidiaries		**(199,994)**	(220,980)
Purchase of an investment in a joint venture		**(6,800)**	—
Purchases of investments in associates		—	(20,000)
Purchases of financial assets at fair value through profit or loss		**(370,585)**	(183,139)
Payments for acquisition of Angel Venture	21	—	(163,000)
Withdrawal from/(deposit in) a financial institution for asset management	21	**209,286**	(209,286)
Disposal of financial assets at fair value through profit or loss		**881**	70,524
Increase in pledged time deposits	22	**(392,897)**	(406,267)
Net cash flows used in investing activities		**(884,682)**	(1,318,944)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**459,396**	1,350,540
Share issue expenses		**(9,952)**	(77,988)
New bank and other loans		**451,350**	490,611
Repayment of bank loans		**(442,036)**	(99,997)
Dividends paid		**(75,414)**	—
Principal portion of lease payments		**(21,588)**	(17,924)
Interest paid		**(32,076)**	(10,647)
Net cash flows from financing activities		**329,680**	1,634,595
NET INCREASE IN CASH AND CASH EQUIVALENTS		**68,518**	626,049
Cash and cash equivalents at beginning of year		**771,090**	144,445
Effect of foreign exchange rate changes, net		**(44,720)**	596
CASH AND CASH EQUIVALENTS AT END OF YEAR		**794,888**	771,090

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 20 March 2018 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands. The registered address of the office of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in mobile game publishing and game development in Mainland China, Hong Kong, Taiwan and Korea, and investment business in Mainland China.

In the opinion of the directors, the controlling shareholders of the Company are Mr. XIAO Jian and Mr. SIN Hendrick.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chengdu Zhuo Xing Technology Co., Ltd. (成都卓星科技有限公司) ("Chengdu Zhuoxing")*	24 June 2013 PRC/Mainland China	RMB10,000,000	—	100	Mobile game publishing
China Mobile Games and Entertainment Group Limited Shenzhen (深圳市中手游網絡科技有限公司) ("Shenzhen Zhongshouyou")*	10 July 2015 PRC/Mainland China	RMB10,000,000	—	100	Mobile game publishing
Shenzhen Douyue Network Technology Co., Ltd. (深圳市豆悅網絡科技有限公司) ("Shenzhen Douyue")*	21 November 2014 PRC/Mainland China	RMB10,000,000	—	100	Mobile game publishing
Victory Games Network Technology Co., Ltd. (深圳市勝利互娛網絡科技有限公司)*	1 July 2015 PRC/Mainland China	RMB15,000,000	—	100	Mobile game publishing
Tibet Jichuang Internet Technology Co., Ltd. (西藏極創網絡科技有限公司) ("Tibet Jichuang")* ^	24 March 2016 PRC/Mainland China	RMB30,000,000	—	100	Investment holding
China Mobile Games and Entertainment Group (HK) Limited	11 October 2012 Hong Kong	HK$100	—	100	Mobile game publishing
CMGE International Limited	3 December 2013 British Virgin Islands	US$1	—	100	Investment holding
CMGE Global Limited (Formerly known as "Parkinson Enterprises Limited")	28 October 2013 Hong Kong	HK$1	—	100	Mobile game publishing
CMGE Korea Co., Limited	28 February 2014 Korea	KRW274,456,000	—	100	Mobile game publishing
Majesty Enterprises Limited (Hong Kong)	22 November 2013 Hong Kong	HK$1	—	100	Mobile game publishing
SuperNova Overseas Limited (Hong Kong)	31 July 2014 Hong Kong	HK$1	—	100	Mobile game publishing
Blooming City Holding Limited (Republic of Seychelles)	8 January 2015 Republic of Seychelles	US$1	—	100	Mobile game publishing

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CMGE Group Limited	23 October 2017 Hong Kong	HK$1	—	100	Investment holding
CMGE Group Limited	21 December 2017 British Virgin Islands	US$1	—	100	Investment holding
Shengyue Software (Shenzhen) Company Limited (盛悅軟件 (深圳) 有限公司) ("Shengyue Software")** ^	5 March 2018 PRC/Mainland China	HK$500,000,000	—	100	Investment holding
Tianhu Software Technology (Shenzhen) Company Limited (天互軟件科技 (深圳) 有限公司)** ^	7 March 2018 PRC/Mainland China	HK$150,000,000	—	100	Investment holding
Rocket Parade Investment Limited	21 March 2018 British Virgin Islands	US$0.01	100	—	Investment holding
Beijing Wenmai Hudong Technology Company Limited (北京文脈互動科技有限公司) ("Wenmai Hudong")* ^	12 December 2014 PRC/Mainland China	RMB1,000,000	—	100	Game development
Horgos Bell Mutual Entertainment Technology Co., Ltd. (霍爾果斯鐘聲互娛科技有限公司) ("Zhongsheng Huyu")*	21 June 2016 PRC/Mainland China	RMB1,000,000	—	100	Game development
Softstar Technology (Beijing) Co., Ltd. (軟星科技 (北京) 有限公司) ("Beijing Softstar")*	19 September 2000 PRC/Mainland China	RMB16,873,388	51	—	Game development
Softstar Technology (Shanghai) Co., Ltd. (軟星科技 (上海) 有限公司)* ^	14 June 2001 PRC/Mainland China	RMB70,375,625	—	51	Game development
Shanghai Wenmai Technology Company Limited (上海聞脈科技有限公司)* ^	3 August 2018 PRC/Mainland China	RMB1,000,000	—	100	Game development
Beijing Zhongsheng Huyu Entertainment Technology Company Limited (北京鐘聲互娛科技有限公司) ("Beijing Zhongsheng")* ^	1 August 2019 PRC/Mainland China	RMB1,000,000	—	100	Game development
Horgos Wenmai Hudong Technology Company Limited (霍爾果斯文脈互動科技有限公司) ("Horgos Wenmai")* ^	25 March 2020 PRC/Mainland China	RMB1,000,000	—	100	Game development
Softstar Technology (Shenzhen) Company Limited (軟星科技 (深圳) 有限公司)* ^	17 August 2020 PRC/Mainland China	RMB20,000,000	—	51	Game development
Beijing Fenhao Huyu Technology Company Limited (北京分號互娛科技有限公司)* ^	19 January 2020 PRC/Mainland China	RMB5,000,000	—	100	Mobile game publishing
Shenzhen Full Stop Mutual Entertainment Network Technology Co., Ltd. (深圳市句號互娛網絡科技有限公司)*	24 December 2019 PRC/Mainland China	RMB10,000,000	—	100	Mobile game publishing
Shangrao Interactive Network Technology Co., Ltd. (上饒市逗號互動網絡科技有限公司) (Shangrao Interactive)*	28 November 2019 PRC/Mainland China	RMB5,000,000	—	100	Mobile game publishing

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yichun Dongdian Huyu Internet Technology Company Limited (宜春市動點互娛網絡科技有限公司) ("Yichun Dongdian")* ^	26 November 2019 PRC/Mainland China	RMB5,000,000	—	100	Mobile game publishing
Hainan Chuangyue Technology Company Limited (海南創躍科技有限公司) ("Hainan Chuangyue")* ^	24 December 2019 PRC/Mainland China	RMB5,000,000	—	100	Game development
Hainan Zhanshen Internet Technology Company Limited (海南戰神網絡科技有限公司) ("Hainan Zhanshen")* ^	27 April 2020 PRC/Mainland China	RMB5,000,000	—	100	Mobile game publishing

* These subsidiaries are registered as limited liability companies under PRC law.

** These subsidiaries are registered as wholly-foreign-owned enterprises under PRC law.

^ The English names of these subsidiaries registered in Mainland China represent the translated names of these companies as no English names have been registered.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and contingent consideration for business combination which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) 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; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(d) (continued)

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office properties have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB150,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform - Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

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 annual periods beginning on or after 1 January 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and a joint venture

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint venture are eliminated to the extent of the Group's investments in the associates or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint venture is included as part of the Group's investments in associates or a joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associates or loss of joint control over the joint ventures, the Group measures and recognises any retained investments at their fair values. Any difference between the carrying amounts and the fair values of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued operation.*

Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combination and goodwill *(continued)*

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity investments and contingent consideration for business combination at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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 employees of either 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 the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personal services to the Group or to the parent of the Group.

Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Electronic devices	33%
Motor vehicles	20%
Leasehold improvements	Shorter of estimated useful lives or remaining lease terms

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment and depreciation *(continued)*

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Other intangible assets (other than goodwill)

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the other intangible assets may be impaired. The amortisation period and the amortisation method for other intangible assets with a finite useful life are reviewed at least at each financial year end.

Intellectual Property Licences ("IP Licences")

Under IP licensing arrangements entered into between the Group and the IP owners, the Group pays loyalty fees to the IP owners as the Group is entitled to develop, publish and operate mobile games based upon the IP. The Group then engages third-party game developers to develop the licensed IPs into mobile games. The Group recognises the IP loyalty fees as an intangible asset. These intangible assets are amortised on a straight-line basis over the shorter of the expected economic life and licence period, from 2 to 3 years. The amortisation is recorded in cost of sales (where the games are commercially launched) or general administrative expenses (where the games are not yet commercially launched).

Content provider licences ("CP licences")

Under the exclusive game arrangements entered into between the Group and the game developers, the Group pays upfront loyalty fees to the game developers as the Group is entitled to an exclusive right to operate the developed games. The Group recognises the upfront loyalty fees as an intangible asset. These intangible assets are amortised on a straight-line basis over the expected economic life, from 3 to 5 years. The amortisation is recorded in cost of sales (where the games are commercially launched) or general and administrative expenses (where the games are not yet commercially launched).

Computer software

Acquired computer software is stated at historical cost less amortisation. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and is amortised on a straight-line basis over the useful life of 5 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other intangible assets (other than goodwill) *(continued)*

Copyrights

Under the buyout arrangements for copyrights entered into between the Group and the IP owners, the Group pays a sum of copyright fees to the IP owners as the Group is entitled to buy out the copyrights upon which the Group can further develop, publish and operate mobile games with an indefinite period. The Group recognises the copyrights brought out as an intangible asset. These intangible assets are initially recorded at cost and amortised on a straight-line basis over their expected economic lives of 3 to 10 years.

The Group recognises copyrights acquired through business combinations as intangible assets. These intangible assets are initially recognised and measured at estimated fair value. Copyrights acquired through business combinations are amortised using a straight-line method which reflects the estimated consumption patterns and expected economic lives.

The Group develops its estimation on the expected economic lives of the copyright based on a number of factors such as typical product life cycles, public information on estimation of useful lives of similar assets, technical, commercial or other types of obsolescence and legal expiry dates.

Trademarks

Trademarks are initially recognised and measured at costs incurred to register. The costs are amortised on the straight-line basis over their estimated useful lives of 5 years.

Domain names

Domain names are initially recognised and measured at costs incurred to acquire and bring to use them. The costs are amortised on a straight-line basis over the domain names' estimated useful lives.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding contract periods, commencing from the date when the products are put into commercial production.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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 marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

Financial assets at fair value through profit or loss (continued)

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach (continued)

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

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties, interest-bearing loans and borrowings and lease liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

(a) Mobile game publishing

The Group is primarily engaged in providing services of publishing third-party developed mobile games to the various publishing channels including application stores and software websites.

Most of the mobile games are operated under a free-to-play basis whereby players can play the games free of charge and are charged for purchase of a virtual currency that can exchange for virtual items in the games. Most of the mobile games are developed and operated by the third-party game developers ("CPs"), and the Group is responsible for publishing the games to the players through third-party publishing channels. Game players pay for the virtual items through the publishing channels. Such payments are generally non-refundable and non-cancellable. The publishing channels are entitled to withhold and deduct prescribed fixed percentages of the gross proceeds collected from the players as their channel service fee, and remit the remaining amounts to the Group. The Group is entitled to withhold and deduct prescribed percentages of the proceeds collected from the publishing channels as its publishing service fee, and remit the remaining amounts to the CPs and intellectual property ("IPs") owners, if any IPs are involved.

Gross Versus Net Consideration

The Group evaluates agreements with the CPs, publishing channels and IPs (if any) in order to determine whether the Group acts as the principal or as an agent in the arrangement with each party, respectively. The Group identified the specified service to be provided to the customers and assessed whether it controls each specified service before that is transferred to the customers. The indicators that the Group controls the specified service include, but are not limited to, whether the Group (i) is primarily responsible for fulfilling the promise to provide the specified service; (ii) has inventory risk before the specified service has been transferred to a customer; (iii) has discretion in establishing prices for the specified services. The assessment is performed for all of the Group's mobile game publishing revenue.

With respect to the Group's game publishing arrangements entered into during the reporting period, the Group views the CPs as its customers and the Group provides game publishing services to CPs. The Group is responsible for identifying, contracting with and maintaining the relationships of the publishing channels and IPs (if any), and accordingly, the Group records the amount collected from publishing channels, net of the amounts shared by the CPs, as the revenue on a gross basis and commission fees paid to the publishing channels and IPs (if any) are included in cost of sales.

Timing of revenue recognition

The Group's publishing services are provided over the whole publishing periods, and the publishing revenue is recognised when the services are provided and the revenue amounts are determinable.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

(b) Self-developed games

The Group is also engaged in developing online games including web-based and mobile games. The self-developed games are licensed to the Group or other publishers under various game distribution arrangements.

The online games are operated under a free-to-play basis whereby players can play the games free of charge and are charged for purchase of a virtual currency that can exchange for virtual items in the games. The gross payments from players are collected as revenue. The payment received to purchase of virtual items is non-refundable and the related contracts are non-cancellable.

The Group has determined that it is obligated to provide on-going services to the game players who purchased virtual items to gain an enhanced game-playing experience over the playing period of the paying players, and accordingly, the Group recognises the revenue ratably over the estimated average playing period of these paying players ("Player Relation Period"), starting from the point in time when virtual items are delivered to the players' accounts, and all other revenue recognition criteria are met.

The Group estimates the Player Relation Period and re-assesses such period semi-annually. If a new game is launched and only a limited period of paying players' data is available, then the Group considers other qualitative factors, such as the playing patterns for paying players for other games with similar characteristics.

Gross Versus Net Consideration

The Group considered itself as a principal in self-developed games as the Group takes primary responsibilities of game operation, providing customer services, hosting game servers, controlling games and service specifications and pricing. Accordingly, the revenue derived from self-developed games is recorded on a gross basis and the amounts withheld by the publishing channels and other publishers are recorded as cost of sales.

Timing of revenue recognition

Revenue from the provision of outsourcing game development services is recognised over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date, or otherwise, at a point in time.

(c) Licensing of intellectual property

The Group also generates revenue from licensing intellectual property originated from self-owned PC games to third parties for certain periods. Third parties can further develop, and launch pan-entertainment products based on the proprietary IPs or promote and advertise the authorised games on the agreed intermodal platform or media based on the proprietary publishing right. The revenue from licensing agreements is recognised over the licence period (for a right to access) or at the point in time when the customer can first use the licensed intellectual property (for a right to use). Sales-based royalties on licences of intellectual property are recognised only upon the later of when the sale or usage occurs or the satisfaction of the related performance obligation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

(d) Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a Pre-IPO restricted share unit scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees and non-employees is measured by reference to the fair value at the date at which they are granted.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension scheme

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities in various areas other than Mainland China. The Group's liability in respect of these plans is limited to the contributions payable at the end of each period. Contributions to these plans are expensed as incurred.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary operating in Mainland China is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits *(continued)*

Housing fund - Mainland China

The Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Group are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in RMB. The Company's functional currency is the Hong Kong dollar. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the reporting period.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Contractual arrangements

Chengdu Zhuoxing, Shenzhen Zhongshouyou, Shenzhen Douyue, Hainan Chuangyue, Shangrao Interactive, Yichun Dongdian and Hainan Zhanshen (collectively referred to as the "PRC Operating Entities") are mainly engaged in the provision of mobile game publishing in the PRC, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" that foreign investors are prohibited to invest in.

As disclosed in note 2.1 to the financial statements, the Group exercises control over the PRC Operating Entities and enjoys all economic benefits of the PRC Operating Entities through the Contractual Arrangements.

The Group considers that it controls the PRC Operating Entities, notwithstanding the fact that it does not hold a direct equity interest in the PRC Operating Entities, as it has power over the financial and operating policies of the PRC Operating Entities and receives substantially all of the economic benefits from the business activities of the PRC Operating Entities through the Contractual Arrangements. Accordingly, the PRC Operating Entities have been accounted for as subsidiaries during the reporting period.

Withholding tax arising from the distribution of dividends

The Group's determination, as to whether to accrue deferred tax liabilities in respect of withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 was RMB1,107,937,000 (2019: RMB1,118,617,000). Further details are given in note 15 to the financial statements.

Provision for expected credit losses on trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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 (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR 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 IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2020 was RMB35,913,000 (2019: nil). The amount of unrecognised tax losses at 31 December 2020 was RMB330,518,000 (2019: RMB282,534,000). Further details are contained in note 26 to the financial statements.

Valuation of financial assets at fair value through profit or loss

Where fair values of financial assets cannot be derived directly from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. The estimations include considerations of inputs such as liquidity risk, credit risk and volatility changes in assumptions about these factors could affect the reported fair value of financial instruments. Further details are disclosed in note 19 to the financial statements.

Fair value of NEEQ quoted equity investments

The National Equities Exchange and Quotations ("NEEQ") quoted equity investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence, they are subject to uncertainty. The fair value of NEEQ quoted equity investments at 31 December 2020 was RMB69,486,000 (2019: RMB72,869,000). Further details are included in note 19 to the financial statements.

Estimates of the Player Relation Period in the Group's game development services

The Group recognises the revenue ratably over the estimated average Player Relation Period for self-developed games and the Group acts as principal. The determination of the Player Relation Period in each game is made based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Future paying player usage patterns and behaviour may differ from the historical usage patterns, and therefore, the estimated average Player Relation Period may change in the future. The Group will continue to monitor the estimated average Player Relation Period, which may differ from the historical period, and any change in the estimate may result in the revenue being recognised on a different basis to that in prior periods. Any adjustments arising from changes in the Player Relation Period as a result of new information will be accounted for as a change in accounting estimates.

Fair value of contingent consideration

The contingent consideration arising from business combination was estimated using the discounted cash flow model and Monte Carlo simulation model. These models require the Group to make estimations about the expected future profits, discount rate and volatility, and hence, they are subject to uncertainty.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in mobile game publishing, game development and investment business.

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

For the year ended 31 December 2020

Segments	Game publishing RMB'000	Game development RMB'000	Licensing of intellectual property RMB'000	Total RMB'000
Segment revenue (note 5)				
Sales to external customers	**2,977,901**	**730,301**	**112,124**	**3,820,326**
Intersegment sales	**—**	**775,924**	**—**	**775,924**
	2,977,901	**1,506,225**	**112,124**	**4,596,250**
Reconciliation:				
Elimination of intersegment sales				**(775,924)**
Total revenue from contracts with customers				**3,820,326**

For the year ended 31 December 2019

Segments	Game publishing RMB'000	Game development RMB'000	Licensing of intellectual property RMB'000	Total RMB'000
Segment revenue (note 5)				
Sales to external customers	2,553,189	421,254	61,858	3,036,301
Intersegment sales	—	939,779	—	939,779
	2,553,189	1,361,033	61,858	3,976,080
Reconciliation:				
Elimination of intersegment sales				(939,779)
Total revenue from contracts with customers				3,036,301

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2020 RMB'000	2019 RMB'000
Mainland China	**3,814,097**	3,022,957
Other countries/regions	**6,229**	13,344
	3,820,326	3,036,301

The revenue information above is based on the locations of the game publishing, game development and licensing of intellectual property.

(b) Non-current assets

	2020 RMB'000	2019 RMB'000
Mainland China	**1,591,324**	1,755,281
Other countries/regions	**140,880**	138,772
	1,732,204	1,894,053

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

During the year ended 31 December 2020, revenue of approximately RMB470,200,000 was derived from an individual single external customer which individual accounted for more than 10% of the total revenue.

During the year ended 31 December 2019, there was no revenue derived from a single external customer that accounted for more than 10% of total revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2020

Segments	Game publishing RMB'000	Game development RMB'000	Licensing of intellectual property RMB'000	Total RMB'000
Types of goods or services				
Mobile game publishing services	2,977,901	—	—	2,977,901
Game development related services	—	730,301	—	730,301
Licensing of intellectual property	—	—	112,124	112,124
Total revenue from contracts with customers	2,977,901	730,301	112,124	3,820,326
Geographical markets				
Mainland China	2,971,672	730,301	112,124	3,814,097
Other countries/regions	6,229	—	—	6,229
Total revenue from contracts with customers	2,977,901	730,301	112,124	3,820,326
Timing of revenue recognition				
Services transferred over time	2,977,901	701,999	43,610	3,723,510
Services transferred at a point in time	—	28,302	68,514	96,816
Total revenue from contracts with customers	2,977,901	730,301	112,124	3,820,326

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(a) Disaggregated revenue information (continued)

For the year ended 31 December 2019

Segments	Game publishing RMB'000	Game development RMB'000	Licensing of intellectual property RMB'000	Total RMB'000
Types of goods or services				
Mobile game publishing services	2,553,189	—	—	2,553,189
Game development related services	—	421,254	—	421,254
Licensing of intellectual property	—	—	61,858	61,858
Total revenue from contracts with customers	2,553,189	421,254	61,858	3,036,301
Geographical markets				
Mainland China	2,545,883	421,254	55,820	3,022,957
Other countries/regions	7,306	—	6,038	13,344
Total revenue from contracts with customers	2,553,189	421,254	61,858	3,036,301
Timing of revenue recognition				
Services transferred over time	2,553,189	382,575	—	2,935,764
Services transferred at a point in time	—	38,679	61,858	100,537
Total revenue from contracts with customers	2,553,189	421,254	61,858	3,036,301

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(a) *Disaggregated revenue information (continued)*

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of each reporting period and recognised from performance obligations satisfied in previous periods:

	2020 **RMB'000**	2019 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of year:		
Short-term advances received from publishing channels	**7,814**	10,762
Sales of game points in self-developed games	**16,015**	8,240
	23,829	19,002

(b) *Performance obligations*

Information about the Group's performance obligations is summarised below:

Publishing services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 180 days from the date of billing.

Game development related services

The performance obligation from the operation of self-developed games is satisfied over the estimated Player Relation Period. The performance obligation from game research and development services is satisfied over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date, otherwise at the point in time.

Intellectual property licensing services

The performance obligation is satisfied over the licence period (for a right to access) or at the point in time when the customer can first use the licensed intellectual property (for a right to use). Payment is generally due within 180 days from delivery.

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(b) *Performance obligations* *(continued)*

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2020 RMB'000	2019 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**131,732**	72,039

The amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	Notes	**2020 RMB'000**	2019 RMB'000
Other income			
Bank interest income	6	**21,202**	6,001
Dividend income from financial assets at fair value through profit or loss		**—**	12,588
Government grants - related to income*		**22,008**	12,428
Other interest income from financial assets at fair value through profit or loss		**11,063**	—
Others		**5,445**	10,110
		59,718	41,127
Gains			
Gains on disposal of financial assets at fair value through profit or loss		**84**	—
Gains on disposal of investments in associates	6	**33,471**	38,443
Fair value gains on financial assets at fair value through profit or loss		**295,899**	12,772
Gain on disposal of items of other intangible assets		**—**	3,062
		329,454	54,277
		389,172	95,404

* Various government grants have been received from local government authorities. There are no unfulfilled conditions and other contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

	Notes	2020 RMB'000	2019 RMB'000
Commissions charged by channels*		**2,430,032**	1,841,842
Commissions charged by IPs		**40,483**	21,885
Game development cost		**15,400**	27,120
Promotion expenses		**297,471**	183,414
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		**208,879**	153,109
Equity-settled share-based expense		**23,874**	74,152
Pension scheme contributions (defined contribution scheme)		**1,933**	16,639
		234,686	243,900
Depreciation of property and equipment	13	**2,875**	3,989
Depreciation of right-of-use assets	14	**21,907**	18,154
Amortisation of other intangible assets**	16	**79,436**	51,525
Research and development costs		**208,630**	160,829
Lease payments not included in the measurement of lease liabilities	14	**114**	79
Foreign exchange differences, net		**6,948**	165
Impairment of financial and contract assets, net:			
Impairment of trade receivables, net	20	**52,043**	14,626
Write-off/(reversal of write-off) of prepayments, net***		**13,960**	(696)
Impairment of goodwill****	15	**10,680**	—
Impairment of other intangible assets****	16	**430**	4,192
Bank interest income	5	**(21,202)**	(6,001)
Loss on disposal of items of property and equipment	13	**56**	544
Auditor's remuneration		**4,500**	3,000
Listing expenses		**—**	34,571
(Gains)/losses on disposal of financial assets at fair value through profit or loss		**(84)**	384
Gains on disposal of investments in associates	5	**(33,471)**	(38,443)
Fair value adjustment of contingent consideration		**17,424**	1,490

6. PROFIT BEFORE TAX *(continued)*

* On 28 May 2020, all of the five limited partners of Changpei (Shanghai) Investment Centre (Limited Partnership) ("Changpei Shanghai", a limited partnership registered in the PRC), transferred (i) their limited partnership interests in Changpei Investment Centre, L.P. ("Changpei Cayman", an exempted limited partnership registered in the Cayman Islands), by selling their respective BVI holding vehicles of these interests; and (ii) their limited partnership interests in Changpei Shanghai, to Zhejiang Shiji Huatong Group Limited ("Shiji Huatong"), a listed company on the Shenzhen Stock Exchange (SZSE:002602), and a wholly-owned subsidiary of Shiji Huatong at an aggregate consideration of RMB1,953.9 million. Pursuant to the partnership agreement of Changpei Shanghai, general partner shall have the exclusive and sole right of management of the affaires of the partnerships and limited partner shall have no power to conduct the business of the partnership nor shall limited partner represent the partnership. Also, limited partner shall not participate in the management or control of the investment business of the partnership. Therefore, as Shiji Huatong neither has any voting rights in the Company through its holding vehicles nor has significant influence on the Company, the Directors of the Company believe that Shiji Huatong is an independent third party with the Group. Shiji Huatong provided channel services to the Group, which amounted to RMB504,173,000 during the periods from 28 May 2020 to 31 December 2020, and the balance of trade receivables from Shiji Huatong as at 31 December 2020 was RMB25,026,000.

** The amortisation of other intangible assets for the year is included in "Cost of sales" in the consolidated statement of profit or loss.

*** Write-off of prepayments is included in "other expenses" in the consolidated statement of profit or loss.

**** Impairment of goodwill and other intangible assets are included in "other expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest expenses on:		
Bank and other borrowings	**30,661**	9,751
Payable for business combination	**3,152**	4,425
Lease liabilities	**1,415**	896
	35,228	15,072

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 RMB'000	2019 RMB'000
Fees	**1,063**	175
Other emoluments:		
Salaries, allowances and benefits in kind	**2,984**	5,283
Equity-settled share-based expense	**81,757**	253,936
Pension scheme contributions	**65**	67
	85,869	259,461

8. DIRECTORS' REMUNERATION *(continued)*

On 30 October 2019, certain directors were granted shares, in respect of their services to the Group, under the share incentive scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair value of such granted shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020 RMB'000	2019 RMB'000
Independent non-executive directors		
Mr. TANG Liang (唐亮)	**—**	—
Ms. NG Yi Kum (伍綺琴)	**213**	35
Mr. HO Orlando Yaukai (何猷啟)	**160**	26
	373	61

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

(b) Executive directors and non-executive directors

2020	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. XIAO Jian (肖健)	267	1,193	39,293	19	40,772
Mr. SIN Hendrick (冼漢廸)	267	1,271	42,464	16	44,018
Mr. FAN Yingjie (樊英傑)	—	520	—	30	550
	534	2,984	81,757	65	85,340
Non-executive directors:					
Mr. MA Yuntao (馬雲濤)	—	—	—	—	—
Mr. TANG Yanwen (唐彥文)	156	—	—	—	156
	690	2,984	81,757	65	85,496

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and non-executive directors *(continued)*

2019	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share-based expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. XIAO Jian (肖健)	44	2,422	122,044	51	124,561
Mr. SIN Hendrick (冼漢廸)	44	2,861	131,892	16	134,813
	88	5,283	253,936	67	259,374
Non-executive directors:					
Mr. MA Yuntao (馬雲濤)	—	—	—	—	—
Mr. TANG Yanwen (唐彥文)	26	—	—	—	26
	114	5,283	253,936	67	259,400

Mr. TANG Liang waived his own emolument of HK$180,000 (2019: HK$30,000) for the year ended 31 December 2020. Except that, there was no other arrangement under which a director waived any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2019: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are not a director of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	**2,841**	2,832
Equity-settled share-based expense	**6,169**	19,161
Pension scheme contributions	**44**	120
	9,054	22,113

9. FIVE HIGHEST PAID EMPLOYEES *(continued)*

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019
Nil to HK$3,000,000	**—**	—
HK$3,000,001 to HK$4,000,000	**3**	—
HK$4,000,001 to HK$5,000,000	**—**	—
HK$5,000,001 to HK$6,000,000	**—**	—
HK$6,000,001 to HK$7,000,000	**—**	—
HK$7,000,001 to HK$8,000,000	**—**	1
HK$8,000,001 to HK$9,000,000	**—**	1
HK$9,000,001 to HK$10,000,000	**—**	1
	3	3

On 30 October 2019, shares were granted to the three non-director highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such granted shares, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director highest paid employees' remuneration disclosures.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the British Virgin Islands (the"BVI") and Cayman Islands (the"Cayman"), the Group is not subject to any income tax in the BVI and Cayman.

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof. Pursuant to the PRC Corporate Income Tax Law (the "PRC Tax Law") effective on 1 January 2008, the PRC corporate income tax rate of the Group's subsidiaries operating in Mainland China during the reporting period was 25% of their taxable profits.

Shenzhen Douyue and Shenzhen Zhongshouyou were accredited as "software enterprises" in 2016 under relevant PRC laws and regulations. Accordingly, Shenzhen Douyue and Shenzhen Zhongshouyou were entitled to tax exemption from 2016 to 2017 and entitled to a preferential Corporate Income Tax ("CIT") rate of 12.5% from 2018 to 2020.

Wenmai Hudong has been accredited as a high and new technology enterprise ("HNTE") since 2016 and the certificate is valid for three years since its renewal in 2019. For the years ended 31 December 2020 and 31 December 2019, Wenmai Hudong was entitled to a tax rate of 15%. The HNTE certificate needs to be renewed every three years so as to enable Wenmai Hudong to enjoy the reduced tax rate of 15%.

10. INCOME TAX *(continued)*

Beijing Softstar has been accredited as a HNTE since 2009 and the certificate is valid for three years since its renewal in 2018. For the years ended 31 December 2020 and 31 December 2019, Beijing Softstar was entitled to a tax rate of 15%.

Zhongsheng Huyu was established in the Horgos Development Zone of Xinjiang in 2016. According to the applicable regulations promulgated by the State Council and relevant authorities, it was entitled to tax exemption for five years beginning with the tax year of the first production and operation income from 2016 to 2020.

Beijing Zhongsheng was accredited as a "software enterprise" in 2020 under relevant PRC laws and regulations. But according to relevant policies, it was entitled to tax exemption from 2019 to 2020 and entitled to a preferential CIT rate of 12.5% from 2021 to 2023.

Shengyue software was accredited as a "software enterprise" in 2019 under relevant PRC laws and regulations. Accordingly, it was entitled to tax exemption from 2019 to 2020 and was entitled to a preferential CIT rate of 12.5% from 2021 to 2023.

Horgos Wenmai was established in the Horgos Development Zone of Xinjiang in 2020. According to the applicable regulations promulgated by the State Council and relevant authorities, it was entitled to tax exemption for five years beginning with the tax year of the first production and operation income from 2020 to 2024.

Tibet Jichuang was established in Lhasa Tibet. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Tibet Jichuang was 9% for the year ended 31 December 2020.

Hainan Chuangyue and Hainan Zhanshen were established in the Hainan Free Trade Port. According to the applicable regulations promulgated by the State Council and relevant authorities, the applicable tax rate for Hainan Chuangyue and Hainan Zhanshen was 15% each for the year ended 31 December 2020.

The major components of the income tax expense for the year are as follows:

	2020 **RMB'000**	2019 RMB'000
Current tax expense		
PRC		
Charge for the year	**58,247**	94,727
Over provision in prior years	**(11,193)**	—
HK	**—**	866
Elsewhere	**42**	—
Total	**47,096**	95,593
Deferred tax (credit)/expense		
PRC	**(20,494)**	2,633
HK	**—**	2,184
Total	**(20,494)**	4,817
Total tax charge for the year	**26,602**	100,410

10. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate of Mainland China (i.e., 25%) where the main operating entity is domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2020 RMB'000	2020 %	2019 RMB'000	2019 %
Profit before tax	**716,802**		343,623	
Tax at the statutory tax rate	**179,200**	**25**	85,906	25
Effect of different applicable tax rates for specific jurisdictions or enacted by local authority	**(117,530)**	**(16)**	2,758	1
Profits and losses attributable to a joint venture and associates	**3,959**	**1**	(1,130)	(0)
Super deduction for research and development expenses	**(18,606)**	**(3)**	(10,365)	(3)
Expenses not deductible for tax	**5,344**	**1**	3,059	1
Effect on opening deferred tax of increase in rates	**(3,234)**	**—**	—	—
Adjustments in respect of current tax of previous periods	**(11,193)**	**(2)**	—	—
Utilisation of previously unrecognised tax losses	**(20,774)**	**(3)**	—	—
Tax losses not recognised	**9,436**	**1**	20,182	6
Tax charge at the Group's effective rate	**26,602**	**4**	100,410	29

The share of tax attributable to a joint venture and associates amounting to nil (2019: Nil) and RMB2,232,000 (2019: RMB3,020,000), respectively, is included in "Share of profits and losses of a joint venture and associates" in the consolidated statement of profit or loss.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10% and may be reduced to 5% if certain criteria could be met under the Double Taxation Arrangement (Hong Kong). The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2020, no deferred tax (2019: Nil) has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB220,244,000 (2019: RMB148,806,000).

11. DIVIDENDS

At a meeting held by the board on 24 March 2021, the board proposed a final dividend in respect of the year ended 31 December 2020 of HK$0.0928 (2019: HK$0.0355) per ordinary share of the Company, totalling approximately HK$232,942,000 (2019: HK$82,720,000) based on the latest number of ordinary shares of 2,510,150,000 (2019: 2,330,150,000) of the Company in issue. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,343,920,492 (2019: 1,889,295,068) in issue during the year, as adjusted to reflect the rights issued during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculations of basic and diluted earnings per share are based on:

	2020 **RMB'000**	2019 RMB'000
Earnings Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**701,319**	248,348
	2020	2019
Shares Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,343,920,492**	1,889,295,068

13. PROPERTY AND EQUIPMENT

	Electronic devices RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2020				
At 1 January 2020:				
Cost	6,987	311	16,169	23,467
Accumulated depreciation	(2,624)	(231)	(15,797)	(18,652)
Net carrying amount	4,363	80	372	4,815
At 1 January 2020, net of accumulated depreciation	4,363	80	372	4,815
Additions	3,967	—	—	3,967
Disposals (note 6)	(56)	—	—	(56)
Depreciation provided during the year (note 6)	(2,516)	(60)	(299)	(2,875)
Exchange realignment	(4)	—	—	(4)
At 31 December 2020, net of accumulated depreciation	5,754	20	73	5,847
At 31 December 2020:				
Cost	9,679	311	16,169	26,159
Accumulated depreciation	(3,925)	(291)	(16,096)	(20,312)
Net carrying amount	5,754	20	73	5,847

13. PROPERTY AND EQUIPMENT *(continued)*

	Electronic devices RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2019				
At 1 January 2019:				
Cost	6,733	311	16,758	23,802
Accumulated depreciation	(3,465)	(199)	(13,893)	(17,557)
Net carrying amount	3,268	112	2,865	6,245
At 1 January 2019, net of accumulated depreciation	3,268	112	2,865	6,245
Additions	3,153	—	10	3,163
Disposals (note 6)	(294)	—	(317)	(611)
Depreciation provided during the year (note 6)	(1,769)	(32)	(2,188)	(3,989)
Exchange realignment	5	—	2	7
At 31 December 2019, net of accumulated depreciation	4,363	80	372	4,815
At 31 December 2019:				
Cost	6,987	311	16,169	23,467
Accumulated depreciation	(2,624)	(231)	(15,797)	(18,652)
Net carrying amount	4,363	80	372	4,815

14. LEASES

The Group leases certain of its office properties under operating lease arrangements. Leases for office properties are for terms ranging from one to three years.

The Group also leased certain office premises under short-term (i.e., within 12 months) lease arrangements. The Group has elected not to recognise right-of-use assets on these short-term lease contracts.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
As at 1 January	**34,138**	21,095
Additions	**15,510**	31,141
Depreciation charge (note 6)	**(21,907)**	(18,154)
Exchange realignment	**(9)**	56
As at 31 December	**27,732**	34,138

14. LEASES *(continued)*

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**33,695**	21,095
New leases	**15,510**	30,466
Accretion of interest recognised during the year (note 7)	**1,415**	896
Payments	**(22,853)**	(18,820)
Covid-19-related rent concessions from lessors	**(150)**	—
Exchange realignment	**(9)**	58
Carrying amount at 31 December	**27,608**	33,695
Analysed into:		
Current portion	**14,718**	16,633
Non-current portion	**12,890**	17,062

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**1,415**	896
Depreciation charge of right-of-use assets	**21,907**	18,154
Expense relating to short-term leases (note 6)	**114**	79
Total amount recognised in profit or loss	**23,436**	19,129

(d) The total cash outflow for leases is disclosed in note 30(c) to the financial statements.

15. GOODWILL

	RMB'000
At 1 January 2019:	
Cost	1,118,617
Accumulated impairment	—
Net carrying amount	1,118,617
Cost at 1 January 2019, net of accumulated impairment	1,118,617
Impairment during the year	—
Net carrying amount at 31 December 2019	1,118,617
At 31 December 2019:	
Cost	1,118,617
Accumulated impairment	—
Net carrying amount	1,118,617
Cost at 1 January 2020, net of accumulated impairment	1,118,617
Impairment during the year (note 6)	(10,680)
Net carrying amount at 31 December 2020	1,107,937
At 31 December 2020:	
Cost	1,118,617
Accumulated impairment	(10,680)
Net carrying amount	1,107,937

15. GOODWILL *(continued)*

Impairment testing of goodwill

Goodwill is allocated to the mobile game publishing CGU, the game development of Wenmai Hudong CGU and the game development of Beijing Softstar CGU for impairment testing. The recoverable amounts of the CGUs have been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The growth rate beyond the five-year period had been projected as 3.0%.

The respective recoverable amounts and the carrying values of the CGUs as at 31 December 2020 and 2019 are as follows:

Mobile game publishing CGU:

	2020 RMB'000	2019 RMB'000
Recoverable amount	**2,508,127**	2,410,000
Carrying value including allocated goodwill	**751,043**	562,829

Game development of Wenmai Hudong CGU:

	2020 RMB'000	2019 RMB'000
Recoverable amount	**779,342**	996,943
Carrying value including allocated goodwill	**703,099**	721,650

Game development of Beijing Softstar CGU:

	2020 RMB'000	2019 RMB'000
Recoverable amount	**177,151**	283,223
Carrying value including allocated goodwill	**198,092**	260,500

Since the recoverable amount of the game development of Beijing Softstar CGU was less than the carrying value including allocated goodwill, the Group has provided a goodwill impairment of RMB10,680,000 in the consolidated statement of profit or loss as other expenses during the reporting period.

15. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

The pre-tax discount rates applied to the cash flow projections, the forecasted growth rates and gross margin used to extrapolate cash flow projections and terminal growth rates are follows:

Mobile game publishing CGU:

	2020	2019
Growth rates (during the five-year period)	3%-15%	3%-8%
Gross margin	30%	31%
Pre-tax discount rate	16%	16%
Terminal growth rate	3%	3%

Game development of Wenmai Hudong CGU:

	2020	2019
Growth rates (during the five-year period)	3%-4%	3%-9%
Gross margin	16%	17%
Pre-tax discount rate	22%	20%
Terminal growth rate	3%	3%

Game development of Beijing Softstar CGU:

	2020	2019
Growth rates (during the five-year period) *	3%-4,361%	3%-653%
Gross margin	28%	18%
Pre-tax discount rate	21%	21%
Terminal growth rate	3%	3%

Assumptions were used in the value-in-use calculation of the CGUs for 31 December 2020 and 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue growth rate — The revenue growth rate is based on the average growth achieved in the past years and the expected revenue from newly launched games.

* The expected growth rates of the game development of Beijing Softstar CGU in the first forecasted year as at 31 December 2020 and 2019 were 4,361% and 653%, respectively. The Group expected a significant growth in the first year due to the expected revenue from the newly launched mobile game, the license for which was obtained in December 2020. Revenue in the second to fifth years was expected to increase gradually and therefore the growth rate will return to a lower range.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the past years and the expectation for market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development and the discount rate are consistent with external information sources.

16. OTHER INTANGIBLE ASSETS

	IP licences RMB'000	CP licences RMB'000	Computer software RMB'000	Trademarks RMB'000	Copyrights RMB'000	Development expenditure RMB'000	Total RMB'000
31 December 2020							
Cost at 1 January 2020, net of accumulated amortisation	38,030	28,677	972	2	37,767	49,525	154,973
Additions	10,030	69,299	774	—	—	—	80,103
Disposal	—	(646)	—	—	—	—	(646)
Amortisation provided during the year (note 6)	(25,771)	(24,960)	(662)	(2)	(28,041)	—	(79,436)
Impairment during the year (note 6)	—	(430)	—	—	—	—	(430)
Exchange realignment	—	(9)	—	—	—	—	(9)
At 31 December 2020	22,289	71,931	1,084	—	9,726	49,525	154,555
At 31 December 2020							
Cost	74,093	177,103	2,443	17	79,000	49,525	382,181
Accumulated amortisation	(51,804)	(104,742)	(1,359)	(17)	(69,274)	—	(227,196)
Impairment	—	(430)	—	—	—	—	(430)
Net carrying amount	22,289	71,931	1,084	—	9,726	49,525	154,555

	IP licences RMB'000	CP licences RMB'000	Computer software RMB'000	Trademarks RMB'000	Copyrights RMB'000	Development expenditure RMB'000	Total RMB'000
31 December 2019							
Cost at 1 January 2019, net of accumulated amortisation	8,292	5,416	737	5	80,046	23,049	117,545
Additions	42,452	39,601	689	—	13,907	26,476	123,125
Disposal	—	—	(28)	—	(29,945)	—	(29,973)
Amortisation provided during the year (note 6)	(12,714)	(12,143)	(424)	(3)	(26,241)	—	(51,525)
Impairment during the year (note 6)	—	(4,192)	—	—	—	—	(4,192)
Exchange realignment	—	(5)	(2)	—	—	—	(7)
At 31 December 2019	38,030	28,677	972	2	37,767	49,525	154,973
At 31 December 2019							
Cost	64,063	112,835	1,669	17	79,000	49,525	307,109
Accumulated amortisation	(26,033)	(79,966)	(697)	(15)	(41,233)	—	(147,944)
Impairment	—	(4,192)	—	—	—	—	(4,192)
Net carrying amount	38,030	28,677	972	2	37,767	49,525	154,973

17. INVESTMENT IN A JOINT VENTURE

	2020 RMB'000	2019 RMB'000
Share of net assets	8,823	2,008
Provision for impairment	—	—
	8,823	2,008

The Group's joint venture is as follows:

Name	Particulars of registered capital held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Shenzhen Boliang Technology Co., Ltd. (深圳博良科技有限公司)	RMB850,000 as registered capital	PRC/ Mainland China	60.00%	Mobile game development

The above investment is held through a wholly-owned subsidiary of the Company.

18. INVESTMENTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Share of net assets	27,589	48,790
Goodwill on acquisition	68,955	76,740
	96,544	125,530
Provision for impairment	—	—
	96,544	125,530

The Group's trade payable and other payable balances with the associates are disclosed in note 34 to the financial statements.

18. INVESTMENTS IN ASSOCIATES

Particulars of the Group's associates are as follows:

Name	Particulars of registered capital held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Shanghai Fengguo Network Information (上海蜂果網絡科技有限公司)	RMB1,551,254 as registered capital	PRC/ Mainland China	43.47%	Mobile game development
Guangzhou Leiyu Information Technology Co., Ltd. (廣州市雷娛信息科技有限責任公司) *	RMB2,500,000 as registered capital	PRC/ Mainland China	20.00%	Mobile game development
Tianjin Fenzhi Huyu Technology Co., Ltd. (天津紛至互娛科技有限公司) **	RMB3,125,000 as registered capital	PRC/ Mainland China	32.00%	Mobile game development
Shanghai Langkun Digital Technology Co., Ltd. (上海朗鵾數碼科技有限公司) ***	RMB12,764,706 as registered capital	PRC/ Mainland China	23.50%	Mobile game development
Beijing Qiwen Internet Technology Co., Ltd. (北京奇文網絡科技有限公司) ****	RMB5,000,000 as registered capital	PRC/ Mainland China	32.50%	IP licensing and mobile game development
Shenzhen Zhichengqianli Investment Enterprise (Limited Partnership) (深圳市志成千里投資企業(有限合夥))	RMB101,500,000 as registered capital	PRC/ Mainland China	49.26%	Investment

* In June 2020, according to the investment agreement, the Group decided to recoup the investment. The investment in Guangzhou Leiyu Information Technology Co., Ltd. is subsequently reclassified from an investment in an associate to other receivable.

** In December 2020, the Group disposed of Tianjin Fenzhi Huyu Technology Co., Ltd. with a consideration of RMB32,000,000.

*** In December 2020, the Group disposed of a 5% percentage interest in Shanghai Langkun Digital Technology Co., Ltd. with a consideration of RMB10,000,000 and then the ownership percentage in Shanghai Langkun Digital Technology Co., Ltd. decreased to 18.5%. The investment in Shanghai Langkun Digital Technology Co., Ltd. is subsequently reclassified from an investment in an associate to a financial asset at fair value through profit or loss.

**** In April 2020, the Group disposed of Beijing Qiwen Internet Technology Co., Ltd. with a consideration of RMB1,625,000.

As at 31 December 2020, the Group's shareholdings in the associates all comprise equity shares through two wholly-owned subsidiaries of the Company.

18. INVESTMENTS IN ASSOCIATES *(continued)*

Shanghai Fengguo Network Information and Shenzhen Zhichengqianli Investment Enterprise (Limited Partnership), which are considered material associates of the Group, are strategic partners of the Group and are accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Shanghai Fengguo Network Information adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2020 **RMB'000**	2019 RMB'000
Current assets	**53,796**	43,300
Non-current assets, excluding goodwill	**4,146**	1,194
Current liabilities	**(15,058)**	(16,609)
Net assets	**42,884**	27,885
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**43.47%**	43.47%
Group's share of net assets of the associate, excluding goodwill	**15,336**	8,816
Goodwill on acquisition (less cumulative impairment)	**64,750**	64,750
Carrying amount of the investment	**80,086**	73,566

	2020 **RMB'000**	2019 RMB'000
Revenue	**84,647**	103,524
Profit for the year	**14,999**	17,936
Total comprehensive income for the year	**14,999**	17,936
Dividend paid	**—**	(20,000)

18. INVESTMENTS IN ASSOCIATES *(continued)*

The following table illustrates the summarised financial information in respect of Shenzhen Zhichengqianli Investment Enterprise (Limited Partnership) adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Current assets	**1,712**	1,267
Non-current assets, excluding goodwill	**23,300**	64,237
Current liabilities	**(138)**	(137)
Net assets	**24,874**	65,367
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**49.26%**	49.26%
Group's share of net assets of the associate, excluding goodwill	**12,253**	32,200
Goodwill on acquisition (less cumulative impairment)	**4,205**	4,205
Carrying amount of the investment	**16,458**	36,405

	2020 RMB'000	2019 RMB'000
Revenue	**—**	—
(Loss)/profit for the year	**(40,493)**	3,243
Total comprehensive (loss)/income for the year	**(40,493)**	3,243
Dividend received	**—**	—

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2020 RMB'000	2019 RMB'000
Share of the associates' profit/(loss) for the year	**836**	(13,057)
Share of the associates' total comprehensive income/(loss)	**836**	(13,057)
Aggregate carrying amount of the Group's investments in the associates	**—**	15,559

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Listed equity investments, at fair value	**220,828**	222,022
NEEQ quoted equity investments, at fair value	**69,486**	72,869
Unlisted equity investments, at fair value	**1,230,112**	414,512
Convertible loans, at fair value	**18,886**	15,734
	1,539,312	725,137

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

In May 2018, the Group acquired 26% of the issued shares of Angel Fund (Asia) Investments Limited ("Angel Fund") from Angel (Partners) Investments Limited with the consideration of 1,270,963 issued shares of Ridgeview Well Investment Limited, the then sole shareholder of the Company. Angel Fund held 9,740,562 shares, representing 20.368% of the total issued shares of Softstar Entertainment Inc, which is a company listed on the Taiwan Stock Exchange (TAIPEI: 6111). The fair value of the investment in Angel Fund was RMB55,874,000 (2019: RMB56,478,000) as at 31 December 2020.

In April 2018, CMGE Group Limited transferred the investment in China Prosperity Capital Mobile Internet Fund L.P. ("CPC Fund") to the Group. In June 2018, the Group injected cash of US$8,300,000 (equivalent to RMB54,442,000) to CPC Fund. The Group acted as a limited partner and held 25.65% of its limited partnership interests. The fair value of the investment in CPC Fund was RMB224,387,000 (2019: RMB213,600,000) as at 31 December 2020.

In February 2020, Guohong Jiaxin (Shenzhen) Angel Venture Capital Enterprise (L.P.) ("Angel Venture") has been set up after obtaining all the related licenses and approval documentations. The fair value of the investment in Angel Venture was RMB160,671,000 as at 31 December 2020.

The Group holds 26%, 25.65% and 38.08% limited partnership interests in Angel Fund, CPC Fund and Angel Venture, respectively. Pursuant to the relevant partnership agreements of these three funds, the Group is entitled to investment return, but has no right or power to participate in the management or control of the funds. Therefore, the Group has neither control nor significant influence on Angel Fund, CPC Fund and Angel Venture, and they are treated as financial instruments at fair value through profit or loss.

20. TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**954,790**	810,907
Allowance for impairment	**(72,146)**	(21,004)
	882,644	789,903

Trade receivables mainly represent amounts receivable from third-party publishing channels. The Group normally allows credit terms of 180 days for established channels and extends credit terms up to 270 days for major channels. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the billing date and net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
Within 6 months	**605,207**	577,264
6 months to 1 year	**214,856**	175,033
1 year to 18 months	**49,285**	37,606
18 months to 2 years	**13,296**	—
	882,644	789,903

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	**21,004**	9,047
Provision for impairment losses (note 6)	**52,043**	14,626
Amount written off as uncollectible	**(901)**	(2,669)
At end of year	**72,146**	21,004

20. TRADE RECEIVABLES *(continued)*

The Group applies the simplified approach in calculating expected credit losses under HKFRS 9, and the provision rates are based on days past due for groupings of various customer segments with similar loss patterns. For certain trade receivables for which the counterparty failed to make demanded repayment, the Group has made a 100% provision ("default receivables"). Except for default receivables, the Group used the calculation which reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information during the reporting period about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

	Amount RMB'000	Expected credit loss rate	Impairment RMB'000
Default receivables	3,270	100%	3,270
Other trade receivables aged:			
Current	620,725	2.5%	15,518
Past due for less than 6 months	229,547	6.4%	14,691
Past due for 6 months to 1 year	60,547	18.6%	11,262
Past due for 1 year to 18 months	32,430	59%	19,134
Past due for over 18 months	8,271	100%	8,271
	954,790		72,146

As at 31 December 2019

	Amount RMB'000	Expected credit loss rate	Impairment RMB'000
Default receivables	3,960	100%	3,960
Other trade receivables aged:			
Current	580,165	0.5%	2,902
Past due for less than 6 months	181,569	3.6%	6,535
Past due for 6 months to 1 year	41,784	10%	4,178
Past due for 1 year to 18 months	2,683	100%	2,683
Past due for over 18 months	746	100%	746
	810,907		21,004

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Non-current portion		
Prepayments*	**330,766**	453,972
Current portion		
Prepayments	**375,258**	319,189
Deposits and other receivables	**112,422**	56,185
Contract costs**	**32,126**	8,837
	519,806	384,211
Other current asset***	**—**	209,286
	850,572	1,047,469

* Prepayments as at 31 December 2020 included RMB110,000,000 (2019: RMB100,000,000) paid for the conditional share purchase of Angel Fund.

Prepayments as at 31 December 2019 included RMB163,000,000 paid for the capital contribution in accordance with the requirements set out in a partnership agreement. Angel Venture has been set up after obtaining all the related licenses and approval documentations in February 2020 and was classified as financial assets at fair value through profit or loss.

** Contract costs relate to commissions charged by the platforms which meet the contract acquisition cost criteria. They are capitalised as contract acquisition costs and amortised over the Player Relation Period, which is consistent with the pattern of recognition of the associated revenue. The Group had no impairment losses recognised on contract costs.

*** Other current asset as at 31 December 2019 included a deposit of RMB209,286,000 in a financial institution for asset management.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	2020 RMB'000	2019 RMB'000
Cash and bank balances		**645,532**	746,090
Time deposits		**948,520**	431,267
		1,594,052	1,177,357
Less: Pledged time deposits:			
Time deposits with original maturity of over three months		**(451,578)**	(306,267)
Pledged for interest-bearing bank borrowings	33	**(347,586)**	(100,000)
		(799,164)	(406,267)
Cash and cash equivalents		**794,888**	771,090

At the end of the reporting period, most of the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the billing date, is as follows:

	2020 RMB'000	2019 RMB'000
Within 3 months	**105,156**	78,100
3 to 6 months	**51,958**	44,758
6 months to 1 year	**53,843**	28,748
1 year to 2 years	**54,360**	14,065
2 years to 3 years	**562**	1,977
Over 3 years	**2,841**	2,108
Total	**268,720**	169,756

The trade payables are non-interest-bearing and are normally settled on 180-day terms.

24. OTHER PAYABLES AND ACCRUALS AND CONTINGENT CONSIDERATION FOR BUSINESS COMBINATION

	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current portion		
Contingent consideration for business combination	—	163,414
Current portion		
Contingent consideration for business combination	177,692	96,848
Payable for business combination	100,000	196,848
Contract liabilities*	131,732	72,039
Salary and welfare payables	32,914	27,124
Other tax payables	43,488	40,939
Accruals	80,025	56,009
Other payables**	6,270	27,635
	572,121	517,442

* Contract liabilities consist of the unamortised revenue from sales of the self-development games and receipts in advances from publishing channels.

Details of contract liabilities are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000	1 January 2019 RMB'000
Short-term advances received from publishing channels	97,510	56,024	48,599
Sales of game points in self-developed games	34,222	16,015	8,513
	131,732	72,039	57,112

The increase in contract liabilities in 2020 and 2019 was mainly due to the increase in short-term advances received from publishing channels and sales of game points in self-developed games.

** Other payables are non-interest-bearing and repayable on demand.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020			2019		
	Effective interest rate per annum (%)	**Maturity**	**RMB'000**	Effective interest rate per annum (%)	Maturity	RMB'000
Current						
Bank loans - secured	**4.35-4.95**	**2021**	**307,150**	4.79-6.26	2020	104,200
Bank loans - unsecured	**4.50-5.00**	**2021**	**119,200**	4.95-7.00	2020	337,836
Other loans - secured	**4.96**	**2021**	**25,000**	—	—	—
			451,350			442,036

In 2020, the Group obtained bank and other loans of RMB451,350,000 and repaid the loans of RMB442,036,000. Certain of the Group's interest-bearing bank borrowings with a carrying amount of RMB307,150,000 as at 31 December 2020 were secured by the pledge of the Group's time deposits amounting to RMB347,586,000. The Group's interest-bearing other borrowings from Shenzhen Gaoxintou Small Loan Co., Ltd. with a carrying amount of RMB25,000,000 as at 31 December 2020 were secured by the pledge of a computer software copyright.

In 2019, the Group obtained bank loans of RMB490,611,000 and repaid the loans of RMB99,997,000. Certain of the Group's interest-bearing bank borrowings with a carrying amount of RMB95,200,000 as at 31 December 2019 were secured by the pledge of the Group's time deposits amounting to RMB100,000,000. Shenzhen Small & Medium Enterprises Credit Financing Guarantee Group Co., Ltd. provided a guarantee for the Group's bank loans amounting to RMB9,000,000 as at 31 December 2019.

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**426,350**	442,036
Other borrowings repayable:		
Within one year	**25,000**	—
	451,350	442,036

26. DEFERRED TAX

	2020 RMB'000	2019 RMB'000
Deferred tax assets	**49,262**	8,175
Deferred tax liabilities	**53,014**	32,422

The movements in deferred tax assets during the reporting period are as follows:

	Deferred tax assets				
	Impairment of trade receivables RMB'000	**Write-off of prepayments RMB'000**	**Impairment of other intangible assets RMB'000**	**Losses available for offsetting against future taxable profits RMB'000**	**Total RMB'000**
At 1 January 2019	2,028	6,009	—	2,614	10,651
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	1,651	(2,561)	1,048	(2,614)	(2,476)
At 31 December 2019	3,679	3,448	1,048	—	8,175
At 1 January 2020	**3,679**	**3,448**	**1,048**	**—**	**8,175**
Deferred tax credited to the consolidated statement of profit or loss during the year	**4,408**	**766**	**—**	**35,913**	**41,087**
At 31 December 2020	**8,087**	**4,214**	**1,048**	**35,913**	**49,262**

26. DEFERRED TAX *(continued)*

The movements in deferred tax liabilities during the reporting period are as follows:

	Deferred tax liabilities		
	Revaluation of financial assets at fair value through profit or loss RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2019	13,629	16,452	30,081
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	9,351	(7,010)	2,341
At 31 December 2019	22,980	9,442	32,422
At 1 January 2020	**22,980**	**9,442**	**32,422**
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	**27,603**	**(7,011)**	**20,592**
At 31 December 2020	**50,583**	**2,431**	**53,014**

Deferred tax assets have not been recognised in respect of the following item:

	2020 RMB'000	2019 RMB'000
Tax losses	**330,518**	282,534

The tax losses are available in five years, in ten years and indefinitely for offsetting against future taxable profits arising from Mainland China, Taiwan and Hong Kong, respectively. Moreover, the tax losses of HNTE are available in ten years for offsetting against future taxable profits arising from Mainland China. Deferred tax assets have not been recognised in respect of the above item as it is not considered probable that taxable profits will be available against which the above item can be utilised.

27. SHARE CAPITAL

Shares

	2020 RMB'000	2019 RMB'000
Issued and fully paid:		
2,510,150,000 (2019: 2,330,150,000) ordinary shares	**1,759**	1,641

A summary of movements in the Company's share capital is as follows:

	Number of ordinary shares	Share capital RMB'000
At 1 January 2019	139,157,814	—
Capitalisation Issue (note a)	1,660,842,186	1,270
Issuance of ordinary shares upon listing (note b)	461,000,000	323
Over-allotment shares (note c)	69,150,000	48
At 31 December 2019 and 1 January 2020	2,330,150,000	1,641
Issuance of ordinary shares for the top-up placing (note d)	**180,000,000**	**118**
At 31 December 2020	**2,510,150,000**	**1,759**

Notes:

(a) Pursuant to the written resolution passed on 20 September 2019, an aggregate of 1,660,842,186 shares of US$0.0001 each of the Company were allotted and issued, by way of capitalisation of the sum of US$166,084 (equivalent to approximately RMB1,172,000) from the share premium account ("Capitalisation Issue"). Such allotment and capitalisation were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's IPO as detailed in (b) below.

Together with the capitalisation of RMB98,000 described in (a), the total capitalisation arose from the issue of new shares to the public in connection with the Company's IPO as detailed in (b) is RMB1,270,000.

(b) On 31 October 2019, in connection with the Company's IPO, 461,000,000 new ordinary shares of the Company of US$0.0001 each were issued at a price of HK$2.83 per share.

(c) On 4 November 2019, the Company had fully exercised the over-allotment shares, and in connection with the Company's IPO, 69,150,000 new ordinary shares of the Company of US$0.0001 each were issued at a price of HK$2.83 per share.

(d) On 4 December 2020, in connection with the Company's top-up placing, 180,000,000 new ordinary shares of the Company of US$0.0001 each were issued at a price of HK$3.02 per share.

28. SHARE-BASED COMPENSATION

On 30 October 2019, the Company granted 180,000,000 ordinary shares to certain employees of the Group to incentivise and reward the eligible persons for their contribution to the Group. Among the 180,000,000 granted ordinary shares, 30% of them shall vest on the listing date, and 70% of them shall vest if the required performance targets are achieved. The Group recognised a share-based compensation expense of RMB105,631,000 (2019: RMB328,088,000) calculated based on a fair value price of HK$2.83 per share during the year ended 31 December 2020.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 105 of the financial statements.

(a) Capital reserve

The capital reserve of the Group represents the difference between the aggregate of the paid-up share capital of the subsidiaries, the consideration paid by the Group for the business combination under common control and contribution from the shareholders.

(b) Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of the group companies, each of the companies that is domiciled in the PRC is required to allocate 10% of its profit after tax, as determined in accordance with PRC GAAP, to the statutory surplus reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

The statutory surplus reserve is non-distributable except that in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, it can be used to offset accumulated losses or be capitalised as paid-up capital.

(c) Share incentive reserve

The share incentive reserve comprises the fair value of equity-settled share-based payments granted in 2015 and 2019.

(d) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Mainland China. The reserve is dealt with in accordance with the accounting policy set out in note 2.4 to the financial statements.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB15,510,000 (2019: RMB31,141,000) and RMB15,510,000 (2019: RMB30,466,000), respectively, in respect of lease arrangements for office properties.

(b) Changes in liabilities arising from financing activities

2020

	Bank and other loans RMB'000	Lease liabilities RMB'000
At 1 January 2020	442,036	33,695
Proceeds from loans and borrowings	451,350	—
Additions to lease liabilities	—	15,510
Accretion of interest expenses (note 7)	30,661	1,415
Repayment of interest expenses	(30,661)	(1,415)
Repayment of loans and borrowings	(442,036)	—
Principal elements of lease payments	—	(21,438)
Covid-19-related rent concessions from lessors	—	(150)
Exchange realignment	—	(9)
At 31 December 2020	451,350	27,608

2019

	Bank and other loans RMB'000	Lease liabilities RMB'000
At 1 January 2019	51,422	21,095
Proceeds from loans and borrowings	490,611	—
Additions to lease liabilities	—	30,466
Accretion of interest expenses (note 7)	9,751	896
Repayment of interest expenses	(9,751)	(896)
Repayment of loans and borrowings	(99,997)	—
Principal elements of lease payments	—	(17,924)
Exchange realignment	—	58
At 31 December 2019	442,036	33,695

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within operating activities	**114**	79
Within financing activities	**21,588**	17,924
	21,702	18,003

31. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
Purchase of IP and game licenses	**30,723**	41,259
Equity investment	**13,000**	—
	43,723	41,259

32. CONTINGENT LIABILITIES

In April 2019, two claimants filed a civil litigation to the Intermediate People's Court of Wuhan City, alleging that the game, the World of Legend-Thunder Empire (傳奇世界之雷霆霸業), infringed their copyright and that by marketing the game, the Group had engaged in unfair competition (the "Litigation"). The maximum exposures in respect of the Litigation consisted of taking the aforementioned game offline, paying damages in the maximum sum of RMB10,000,000, eliminating any negative impact by making a declaration on the Group's websites and reimbursing all litigation expenses incurred by the claimants. As the game was developed with the appropriate authorisation of Shengqu Information Technology (Shanghai) Company Limited, the owner of the underlying copyright, in the opinion of the directors, the Group has sufficient and valid legal grounds to defend the allegations in the Litigation, and that the likelihood of an unfavourable court ruling is low.

33. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's interest-bearing bank and other borrowings are included in note 25 to the financial statements.

34. RELATED PARTY TRANSACTIONS

(a) Name of related party

	Relationship with the Group
Softstar Entertainment Inc.	Minority shareholder of a subsidiary and equity invested by the Group
Shanghai Fengguo Network Information	Associate
Shanghai Langkun Digital Technology Co., Ltd.	Associate
Shenzhen Boliang Technology Co., Ltd.	Joint venture
Mr. FAN Yingjie	Executive director

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following material related party transactions during the reporting period:

(b) Transactions with related parties

	2020 RMB'000	2019 RMB'000
Publishing services provided to Shanghai Fengguo Network Information	**59,777**	68,591
Promotion services received from Shanghai Fengguo Network Information	**7,536**	20,287
Licensing of intellectual property received from Softstar Entertainment Inc.	**4,100**	—
Publishing services provided to Shanghai Langkun Digital Technology Co., Ltd.	**4**	4,624
Publishing services provided to Shenzhen Haituo Shidai Technology Co., Ltd. *	**—**	297,477
Development services provided to Softstar Entertainment Inc.	**—**	730
	71,417	391,709

* In December 2019, the Group disposed of a 5.5% percentage interest in Shenzhen Haituo Shidai Technology Co., Ltd. with a consideration of RMB11,000,000 and then the ownership percentage in Shenzhen Haituo Shidai Technology Co., Ltd. decreased to 19.5%. The investment in Shenzhen Haituo Shidai Technology Co., Ltd. is subsequently reclassified from an investment in an associate to a financial asset at fair value through profit or loss.

34. RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances with related parties

As disclosed in the statement of financial position, the Group had outstanding balances with related parties at 31 December 2020 and 2019.

Amounts due from related parties

	2020 RMB'000	2019 RMB'000
Mr. FAN Yingjie**	**7,850**	1,800
Softstar Entertainment Inc.*	**3,165**	17,002
Shenzhen Boliang Technology Co., Ltd.*	**1,200**	1,200
Shanghai Langkun Digital Technology Co., Ltd.*	**1,086**	—
Shanghai Fengguo Network Information*	**18**	—
	13,319	20,002

* These balances are trade in nature.

** The balance is non-trade in nature.

Amounts due to related parties

	2020 RMB'000	2019 RMB'000
Softstar Entertainment Inc. **	**12,642**	4,783
Shanghai Fengguo Network Information*	**6,171**	9,822
Shanghai Langkun Digital Technology Co., Ltd.*	**485**	1,195
Guangzhou Leiyu Information Technology Co., Ltd.**	**—**	5,000
	19,298	20,800

* These balances are trade in nature.

** These balances are non-trade in nature. In June 2020, the Group decided to recoup the investment in Guangzhou Leiyu Information Technology Co., Ltd. which is no longer recognised as a related party.

The amounts due to related parties are unsecured, interest-free and repayable on credit terms similar to those offered to the major customers of the Group.

34. RELATED PARTY TRANSACTIONS *(continued)*

(d) Compensation of key management personnel of the Group:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	**10,498**	11,927
Equity-settled share-based expense	**94,161**	286,995
Pension scheme contributions	**135**	303
	104,794	299,225

Further details of directors' emoluments are included in note 8 to the financial statements.

(e) Other transactions with related parties:

(i) Mr. XIAO Jian (肖健), an executive director, provided a guarantee for a bank loan made to the Group of RMB60,000,000 as at 28 February 2020.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Financial assets

	2020 RMB'000	2019 RMB'000
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	**1,539,312**	725,137
At amortised cost:		
Trade receivables	**882,644**	789,903
Due from related parties	**13,319**	20,002
Financial assets included in prepayments, other receivables and other assets	**112,422**	56,185
Other current asset	**—**	209,286
Pledged deposits	**799,164**	406,267
Cash and cash equivalents	**794,888**	771,090
	2,602,437	2,252,733
	4,141,749	2,977,870

35. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities

	2020 RMB'000	2019 RMB'000
Financial liabilities at fair value through profit or loss:		
Contingent consideration for business combination	**177,692**	260,262
At amortised cost:		
Trade payables	**268,720**	169,756
Due to related parties	**19,298**	20,800
Financial liabilities included in other payables and accruals	**186,295**	351,707
Interest-bearing bank and other borrowings	**451,350**	442,036
	925,663	984,299
	1,103,355	1,244,561

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2020 and 2019, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

Management has assessed that the carrying amounts of cash and cash equivalents, pledged deposits, trade receivables, amounts due from related parties, financial assets included in prepayments, other receivables and other assets, trade payables, amounts due to related parties, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The fair values of the unlisted equity investments have been estimated by using various applicable valuation techniques, including the discounted cash flow approach, comparable transaction approach, and other option pricing models. The fair value of contingent consideration payable is estimated by using the discounted cash flow model and Monte Carlo simulation model.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020 and 2019:

	Valuation technique	Significant observable inputs	Range	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Discounted cash flow method	Long term growth rate	2020: 3% 2019: 3%	1% (2019: 1%) increase/(decrease) in growth rate would result in increase/(decrease) in fair value by RMB12,531,000 (2019: RMB4,121,000)
		Long term operating margin	2020: 41%-64% 2019: 14%-67%	1% (2019: 1%) increase/(decrease) in operating margin would result in increase/(decrease) in fair value by RMB4,044,000 (2019: RMB1,210,000)
		Weighted average cost of capital (WACC)	2020: 20%-22% 2019: 18%-22%	1% (2019: 1%) increase/(decrease) in WACC would result in (decrease)/increase in fair value by RMB23,335,000 (2019: RMB5,779,000)

	Valuation technique	Significant observable inputs	Range	Sensitivity of fair value to the input
Financial liabilities at fair value through profit or loss	Discounted cash flow method with the Monte Carlo simulation model	Volatility	2020: 46% 2019: 43%	1% (2019: 1%) increase/(decrease) in volatility would result in (decrease)/increase in fair value by RMB1,500,000 (2019: RMB1,000,000)
		Discount rate	2020: 4.9% 2019: 4.9%	1% (2019: 1%) increase/(decrease) in discount rate would result in (decrease)/increase in fair value by RMB1,000,000 (2019: RMB3,500,000)

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	**220,828**	**396,072**	**922,412**	**1,539,312**

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	222,022	333,473	169,642	725,137

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Fair value hierarchy *(continued)*

Liabilities measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Contingent consideration for business combination	—	—	177,692	177,692

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Contingent consideration for business combination	—	—	260,262	260,262

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other loans, financial assets at fair value through profit or loss and cash and cash equivalents. The Group has various other financial assets and liabilities such as amounts due from related parties, trade receivables, other receivables, amounts due to related parties, trade payables and other payables and accruals and lease liabilities, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in the foreign exchange rate due to changes in fair value of monetary assets and liabilities, with all other variables held constant, of the Group's profit before tax.

	2020 RMB'000	2019 RMB'000
RMB/HKD		
Strengthened by 5%	29,296	12,500
Weakened by 5%	(29,296)	(12,500)
RMB/USD		
Strengthened by 5%	2,941	17,386
Weakened by 5%	(2,941)	(17,386)
RMB/KRW		
Strengthened by 5%	297	(85)
Weakened by 5%	(297)	85
RMB/TWD		
Strengthened by 5%	(32)	(187)
Weakened by 5%	32	187
RMB/JPY		
Strengthened by 5%	2	—
Weakened by 5%	(2)	—

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	954,790	954,790
Financial assets included in prepayments, other receivables and other assets					
– Normal**	112,422	—	—	—	112,422
Pledged deposits					
– Not yet past due	799,164	—	—	—	799,164
Cash and cash equivalents					
– Not yet past due	794,888	—	—	—	794,888
	1,706,474	—	—	954,790	2,661,264

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	810,907	810,907
Financial assets included in prepayments, other receivables and other assets					
– Normal**	56,185	—	—	—	56,185
Pledged deposits					
– Not yet past due	406,267	—	—	—	406,267
Cash and cash equivalents					
– Not yet past due	771,090	—	—	—	771,090
	1,233,542	—	—	810,907	2,044,449

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets, and amounts due from related parties is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Maximum exposure and year-end staging *(continued)*

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by counterparty. There are no significant concentrations of credit risk within the Group as the counterparty bases of the Group's trade receivables are widely dispersed.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation and bank and other borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2020				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Total RMB'000
Amounts due to related parties	4,077	4,569	—	10,652	19,298
Trade payables	108,056	58,233	102,431	—	268,720
Contingent consideration for business combination	—	—	183,474	—	183,474
Financial instruments included in other payables and accruals	100,000	46,283	40,012	—	186,295
Interest-bearing bank and other borrowings	—	235,892	225,306	—	461,198
Lease liabilities	—	4,440	11,372	13,256	29,068
	212,133	349,417	562,595	23,908	1,148,053

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

	2019				
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Total RMB'000
Amounts due to related parties	5,708	4,625	10,467	—	20,800
Trade payables	58,704	26,003	84,117	932	169,756
Contingent consideration for business combination	—	—	100,000	200,000	300,000
Financial instruments included in other payables and accruals	174,823	14,155	155,094	7,635	351,707
Interest-bearing bank and other borrowings	—	5,826	455,369	—	461,195
Lease liabilities	—	5,716	12,275	17,890	35,881
	239,235	56,325	817,322	226,457	1,339,339

Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

The directors of the Company review the asset-liability ratio, which is total assets divided by total liability, on a continuous basis, taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debts and manage the asset-liability ratios. The Group's overall strategy remained unchanged during the reporting period.

The asset-liability ratios as at the end of each reporting period are as follows:

	2020 RMB'000	2019 RMB'000
Total assets	**6,330,599**	5,208,124
Total liabilities	**1,529,743**	1,496,510
Asset-liability ratio	**24%**	29%

38. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the financial statement, there are no significant events after the reporting period.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Right-of-use assets	**3,774**	—
Investments in subsidiaries	**217,484**	231,490
Financial assets at fair value through profit or loss	**394,121**	165,544
Prepayments	**137,032**	135,401
Total non-current assets	**752,411**	532,435
CURRENT ASSETS		
Due from subsidiaries	**900,612**	678,619
Prepayments, deposits and other receivables	**9,543**	3,928
Other current asset	**—**	209,286
Cash and cash equivalents	**67,932**	23,053
Total current assets	**978,087**	914,886
CURRENT LIABILITIES		
Due to subsidiaries	**162,500**	173,415
Other payables and accruals	**3,869**	27,293
Lease liabilities	**1,925**	—
Total current liabilities	**168,294**	200,708
NET CURRENT ASSETS	**809,793**	714,178
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,562,204**	1,246,613
NON-CURRENT LIABILITIES		
Lease liabilities	**1,857**	—
Total non-current liabilities	**1,857**	—
Net assets	**1,560,347**	1,246,613
EQUITY		
Issued capital	**1,759**	1,641
Reserves	**1,558,588**	1,244,972
Total equity	**1,560,347**	1,246,613

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Share incentive reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2019	—	—	(45)	6,661	6,616
Loss for the year	—	—	—	(354,391)	(354,391)
Other comprehensive loss for the year:					
Exchange differences on translation of foreign operations	—	—	(13,207)	—	(13,207)
Total comprehensive loss for the year	—	—	(13,207)	(354,391)	(367,598)
Issue of shares for the IPO	1,348,899	—	—	—	1,348,899
Share issue expenses	(77,988)	—	—	—	(77,988)
Share-based compensation (note 28)	—	335,043	—	—	335,043
At 31 December 2019 and 1 January 2020	1,270,911	335,043	(13,252)	(347,730)	1,244,972
Loss for the year	**—**	**—**	**—**	**(93,810)**	**(93,810)**
Other comprehensive loss for the year:					
Exchange differences on translation of foreign operations	**—**	**—**	**(66,519)**	**—**	**(66,519)**
Total comprehensive loss for the year	**—**	**—**	**(66,519)**	**(93,810)**	**(160,329)**
Issue of shares for the top-up placing	**459,278**	**—**	**—**	**—**	**459,278**
Share issue expenses	**(9,952)**	**—**	**—**	**—**	**(9,952)**
Share-based compensation (note 28)	**—**	**100,033**	**—**	**—**	**100,033**
2019 final dividend	**(75,414)**	**—**	**—**	**—**	**(75,414)**
At 31 December 2020	**1,644,823**	**435,076**	**(79,771)**	**(441,540)**	**1,558,588**

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2021.

DEFINITIONS

In this annual report, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"Ambitious Profit"	Ambitious Profit Investment Limited, an exempted company incorporated in the Cayman Islands with limited liability on 5 January 2018 and one of the Controlling Shareholders
"ARPPU"	average revenue per month per paying user, which represents the Company's revenue recognised for a particular game, a particular type of game or all of its games, as applicable, in the period divided by the number of paying users of the game, the type of game or all of its games, as applicable, in such period
"Articles of Association"	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
"Audit Committee"	the audit committee of the Company
"Auditor"	Ernst & Young, the independent auditor of the Company
"Beijing Orient L.P."	Beijing Orient Zhike Equity Investment Centre (Limited Partnership) (北京東方智科股權投資中心(有限合夥)), one of the Substantial Shareholders and an investment fund established on 22 May 2015 in the form of a limited partnership under the laws of the PRC, is controlled by its executive general partner ultimately controlled by Mr. Ma
"Beijing Softstar"	Softstar Technology (Beijing) Co., Ltd. (軟星科技(北京)有限公司), a company established in the PRC on 19 September 2000, which is an indirect non-wholly owned subsidiary owned as to 51% by the Company. Beijing Softstar is an insignificant subsidiary (as defined under the Listing Rules) for the year ended 31 December 2020 and up to the Latest Practicable Date
"Board"	the board of Directors
"Board Committees"	Audit Committee, Nomination Committee, Remuneration Committee, and Corporate Governance Committee
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"Changpei Cayman"	Changpei Investment Centre, L.P., an exempted limited partnership registered in the Cayman Islands on 2 March 2018 and one of the Controlling Shareholders

"Changpei Shanghai"	Changpei (Shanghai) Investment Centre (Limited Partnership) (長霈(上海)投資中心(有限合夥)), a limited partnership registered in the PRC on 2 June 2015
"Chengdu Zhuoxing"	Chengdu Zhuo Xing Technology Co., Ltd. (成都卓星科技有限公司), a company established in the PRC on 24 June 2013 and wholly-owned by Shenzhen Lanyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
"CMGE Group"	CMGE Group Limited (formerly known as China Mobile Games and Entertainment Group Limited), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 20 January 2011, which is wholly-owned by CMGE Mobile Tech
"CMGE Group BVI"	CMGE Group Limited, a company incorporated in the BVI on 21 December 2017, which is a wholly-owned subsidiary of the Company
"CMGE Mobile Tech"	China Mobile Game Technology Company Limited (中手游移動科技有限公司), a limited liability Company established under the laws of the PRC on 14 October 2015, which is held as to 44.67% by Changpei Shanghai, 22.33% by Beijing Orient L.P., 18.90% by Shanghai Pegasus, 9.20% by Zhongshouyou Brothers PRC and 4.90% by Yichong Investment
"Company"	CMGE Technology Group Limited (中手游科技集团有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 20 March 2018, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 0302)
"connected person(s)"	has the meaning ascribed to it/them under the Listing Rules
"Contractual Arrangements"	the series of contractual arrangements entered into by Shengyue Software and the PRC Operating Entities
"Controlling Shareholder(s)"	has the meaning ascribed to it/them under the Listing Rules
"core connected person(s)"	has the meaning ascribed to it/them under the Listing Rules
"Corporate Governance Committee"	the corporate governance committee of the Company
"CPC Fund"	China Prosperity Capital Mobile Internet Fund, L.P., an exempted limited partnership registered under the laws of the Cayman Islands on 14 December 2015, of which CMGE Group BVI is one of the limited partners
"Director(s)"	the director(s) of the Company
"Fairview Ridge"	Fairview Ridge Investment Limited, a company incorporated in the BVI with limited liability on 6 March 2018 and one of the Controlling Shareholders

"Group"	the Company, its subsidiaries and the PRC Operating Entities
"H5"	hypertext markup language 5, the fifth and current major version of the hypertext markup language standard; used for structuring and presenting content on web pages and for creating web applications
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hainan Chuangyue"	Hainan Chuangyue Technology Company Limited (海南創躍科技有限公司), a company established in the PRC on 24 December 2019 and wholly-owned by Shenzhen Zhongshouyou, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
"Hainan Zhanshen"	Hainan Zhanshen Internet Technology Company Limited (海南戰神網絡科技有限公司) , a company established in the PRC on 27 April 2020 and wholly-owned by Hainan Chuangyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
"HKFRS"	Hong Kong Financial Reporting Standards, as issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IP"	intellectual property
"Latest Practicable Date"	16 April 2021, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information for inclusion there in
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	31 October 2019, being the date on which the Shares of the Company became listed and commenced trading on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MAUs"	monthly active users, which refers to the number of active users in the relevant calendar month; average MAUs for a particular period is the average of the MAUs in each month during that period
"MMORPG"	massive multiplayer online role-playing game, in which a vast number of players play their selected game character in the virtual world, and interact with each other
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

"Motion Game"	Motion Game Company Limited (動力遊戲娛樂有限公司), a company incorporated in Hong Kong with limited liability on 20 July 2017 and one of the Controlling Shareholders
"MPUs"	monthly paying users, which refers to the number of paying users in the relevant calendar month; average MPUs for a particular period is the average of the MPUs in each month during that period
"Mr. Ma"	Mr. MA Yuntao (馬雲濤), one of the Substantial Shareholders
"Mr. Sin"	Mr. SIN Hendrick (冼漢廸), the executive Director and vice chairman of the Company, and one of the Controlling Shareholders
"Mr. Xiao"	Mr. XIAO Jian (肖健), the executive Director, chairman and chief executive officer of the Company, and one of the Controlling Shareholders
"Nomination Committee"	the nomination committee of the Company
"PC"	personal computer
"Post-IPO Share Option Scheme"	the post-IPO share option scheme of the Company approved and adopted by the Shareholders on 20 September 2019
"PRC" or "China"	the People's Republic of China excluding, for the purpose of this report only, Hong Kong, the Macau Special Administrative Region and Taiwan
"PRC Operating Entities"	Chengdu Zhuoxing, Shenzhen Zhongshouyou, Shenzhen Douyue, Hainan Chuangyue, Shangrao Interactive, Yichun Dongdian and Hainan Zhanshen
"Pre-IPO RSU Schemes"	the pre-IPO restricted share unit schemes of the Company approved and adopted by the Shareholders on 20 September 2019
"Profound Power"	Profound Power Investment Limited, a company incorporated in BVI with limited liability on 8 March 2018 and one of the Controlling Shareholders
"Prospectus"	the Company's prospectus dated 19 October 2019 issued for Listing purpose
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"RSUs"	a restricted share unit granted under the Pre-IPO RSU Schemes
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Softstar"	Softstar Technology (Shanghai) Co., Ltd. (軟星科技(上海)有限公司), a company established in the PRC on 14 June 2001, which is an indirect non-wholly owned subsidiary owned as to 51% by the Company
"Shangrao Interactive"	Shangrao Interactive Network Technology Co., Ltd. (上饒市逗號互動網絡科技有限公司), a company established in the PRC on 28 November 2019 and wholly-owned by Shenzhen Douyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
"Share(s)"	ordinary share(s) of the Company with nominal value of US$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shengyue Software"	Shengyue Software (Shenzhen) Company Limited (盛悅軟件(深圳)有限公司), a company established in the PRC on 5 March 2018 and an indirectly wholly-owned subsidiary of the Company
"Shenzhen Douyue"	Shenzhen Douyue Network Technology Co., Ltd. (深圳市豆悅網絡科技有限公司), a company established in the PRC on 21 November 2014 and wholly-owned by Shenzhen Lanyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
"Shenzhen Lanyue"	Shenzhen Lanyue Internet Technology Company Limited (深圳市嵐悅網絡科技有限公司), a company established in the PRC on 7 June 2013 and the registered shareholder of the PRC Operating Entities
"Shenzhen Shengli Huyu"	Shenzhen Shengli Huyu Internet Technology Company Limited (深圳市勝利互娛網絡科技有限公司), a company established in the PRC on 1 July 2015 and an indirectly wholly-owned subsidiary of the Company
"Shenzhen Zhongshouyou"	China Mobile Games and Entertainment Group Limited Shenzhen (深圳市中手游網絡科技有限公司), a company established in the PRC on 10 July 2015 and wholly-owned by Shenzhen Lanyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
"Silver Joyce"	Silver Joyce International Limited, a company incorporated in the BVI on 5 July 2012 and wholly-owned by Mr. Sin, which is one of the Controlling Shareholders
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"subsidiary(ies)"	has the meaning ascribed to it/them under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it/them under the Listing Rules
"U.S. dollars" or "US$" or "USD"	U.S. dollars, the lawful currency of the United States of America
"V1 Group"	V1 Group Limited (第一視頻集團有限公司), formerly known as VODone Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0082)
"Victory Aspire"	Victory Aspire Group Limited (勝志集團有限公司), a limited company incorporated in the BVI on 28 May 2019, which is wholly-owned by Antopex Limited, the nominee for CMB Wing Lung (Trustee) Limited acting as trustee for the Xiao Family Trust
"Wenmai Hudong"	Beijing Wenmai Hudong Technology Company Limited (北京文脈互動科技有限公司), a company established in the PRC on 12 December 2014, which is an indirect wholly-owned subsidiary of the Company
"Xiao Family Trust"	the ZSY Trust, a discretionary trust set up by Mr. Xiao, as settlor, and CMB Wing Lung (Trustee) Limited, as trustee, for the benefit of Mr. Xiao and his spouse
"Yichong Investment"	Shanghai Yichong Investment Centre (Limited Partnership) (上海一翀投資中心(有限合夥)), one of the Shareholders and a limited partnership established in the PRC on 20 April 2015, the general partner of which is Dazi Dingcheng
"Yichun Dongdian"	Yichun Dongdian Huyu Internet Technology Company Limited (宜春市動點互娛網絡科技有限公司), a company established in the PRC on 26 November 2019 and wholly-owned by Shenzhen Douyue, and is one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
"Yunzhuo Beijing"	Yunzhuo Hontai Capital Investment (Beijing) Company Limited (雲卓弘泰資本投資(北京)有限公司), a company established in the PRC wholly owned by Yunzhuo Chengdu, and is in turn indirectly controlled by Mr. Ma
"Yunzhuo Chengdu"	Yunzhuo Capital Investment (Chengdu) Company Limited (雲卓資本投資(成都)有限公司), a company established in the PRC and is indirectly controlled by Mr. Ma

"Zhike L.P."	Hontai Zhike L.P., a limited partnership established in the Cayman Islands on 26 April 2018, and is one of the Substantial Shareholders and is controlled by its general partner, Hontai Zhike Cayman Limited, a company incorporated in the Cayman Islands ultimately controlled by Beijing Orient L.P.
"Zhongshouyou Brothers BVI"	Zhongshouyou Brothers Limited (中手游兄弟有限公司), a company incorporated in the BVI on 2 January 2018 and wholly-owned by Victory Aspire for the Xiao Family Trust, which is one of the Controlling Shareholders
"Zhongshouyou Brothers PRC"	Shaoxing Shangyu Zhongshouyou Brothers Investment Partnership (Limited Partnership) (紹興市上虞中手游兄弟投資合夥企業(有限合夥)), a limited partnership established on 23 November 2015 under the laws of the PRC, a shareholder of CMGE Mobile Tech