SINO-ENTERTAINMENT TECHNOLOGY HOLDINGS LIMITED

新娛科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6933

2020

Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Sui Jiaheng *(Chairman)*
Mr. Li Haijun
Mr. He Shaoning

Non-executive Director

Mr. Huang Zhigang

Independent non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

Ms. Cheung Chit San, *ACG, ACS*

AUTHORISED REPRESENTATIVES

Mr. Sui Jiaheng
Ms. Cheung Chit San

LEGAL ADVISERS AS TO HONG KONG LAW

Loeb & Loeb LLP

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

COMPLIANCE ADVISER

WAG Worldsec Corporate Finance Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 1-4, Floor 8, Fortune Plaza
No. 4 Deshan Road, Luocheng Dongmen Town
Luocheng Mulao Autonomous County
Hechi City
Guangxi, China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Postal Savings Bank of China

COMPANY'S INVESTOR RELATIONSHIP WEBSITE

http://www.sinotecw.com/

STOCK CODE

6933

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of the Company, I hereby present the first annual report of the Company for the year ended 31 December 2020 since the successful listing of the Company's shares on the main board of the Stock Exchange on 15 July 2020.

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

Review

2020 was a major milestone in the Group's development. The shares of the Company were successfully listed on the main board of the Stock Exchange, strengthening the Group's market competitiveness as an enterprise, and providing funding support for further expansion of our businesses and enhancement of our research and development capacity. For the year ended 31 December 2020, the Group maintained positive business growth thanks to higher revenue contributed by publishing self-developed games, as total revenue increased by 28.1% over 2019 to approximately RMB240,426,000; meanwhile, the Group increased research and development expenses by 117.7% over 2019 to approximately RMB21,074,000; and profit of the year increased by 11.5% over 2019 to approximately RMB56,285,000.

Outlook

Looking ahead, we will continue to leverage the advantage of our position as a listed company to increase our game publishing efficiency and enhance our game development capacity, bringing quality games to game players and maximising returns for our shareholders.

Acknowledgements

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

Sui Jiaheng
Chairman

Hong Kong, 30 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Revenue

Revenue of the Group for the Year was approximately RMB240,426,000, representing an increase of approximately 28.1% over RMB187,710,000 for the year ended 31 December 2019. Revenue performances in different business segments for the Year were further detailed below:

Publishing self-developed games

For the Year, the Group continued to publish 3 mobile games developed in-house with our proprietary titles, contributing publishing revenue of approximately RMB87,723,000 (for the year ended 31 December 2019: approximately RMB45,536,000).

Publishing third-party games

For the Year, the Group as a co-publisher provided publishing services for 139 third-party games (for the year ended 31 December 2019: 190 third-party games), contributing co-publishing revenue of approximately RMB123,458,000 (for the year ended 31 December 2019: approximately RMB142,174,000).

Development and sales of customised software and games

For the Year, the Group conducted development and sales of 3 customised software and games to third parties, contributing sales revenue of approximately RMB29,245,000 (for the year ended 31 December 2019: nil).

Gross profit and gross profit margin

Gross profit for the Year was approximately RMB111,868,000, representing an increase of approximately 47.6% over RMB75,813,000 for the year ended 31 December 2019, which was mainly attributable to the business segment growth of publishing of self-developed games as well as the development and sales of customised software and games. Gross profit margin for the Year was 46.5%, increased from 40.4% for the year ended 31 December 2019, primarily due to the increased segment revenue from publishing of self-developed games which produced a higher gross profit margin.

Other income

Other income for the Year was approximately RMB1,901,000, representing an increase of approximately 166.6% over RMB713,000 for the year ended 31 December 2019, which was mainly due to the increase in government grants received during the Year for the Group's continuing involvement in research and development activities.

Other gains and losses

Other losses for the Year were approximately RMB4,642,000 (for the year ended 31 December 2019: approximately RMB684,000). Such losses were mainly due to the net foreign exchange loss arising from the revaluation of the proceeds received from the Global Offering which were denominated in Hong Kong dollars.

Staff Costs

Staff costs comprised mainly of salaries, wages and other staff benefits. The Group's staff costs for the Year amounted to approximately RMB14,083,000 (for the year ended 31 December 2019: approximately RMB11,465,000).

Administrative Expenses

Administrative expenses comprised mainly of consumables costs, depreciation and auditor's remuneration. The Group's administrative expenses for the Year amounted to approximately RMB20,775,000 (for the year ended 31 December 2019: approximately RMB5,972,000). The increase in administrative expenses was mainly due to the increase in professional fees after the Listing as well as the increase in promotion expenses for brand building.

Listing Expenses

Listing expenses represent non-recurring expenses incurred in connection with the Listing of the Company's shares on the Stock Exchange. The Group's listing expenses for the Year amounted to approximately RMB9,680,000 (for the year ended 31 December 2019: approximately RMB11,145,000).

Taxation

Pursuant to the prevailing laws of the Cayman Islands, the Group is not subject to income tax or capital gains tax in the Cayman Islands.

No provision for Hong Kong profits tax was made as the Group had no assessable profits in Hong Kong for the Year.

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Pursuant to the relevant regulations issued by the State Administration of Taxation, the Ministry of Finance, and/or other government authorities, software enterprises shall be exempted from EIT for two years from the first profit-making year and shall be taxed at half of the statutory tax rate from the third to the fifth year. During the year, one PRC subsidiary met the criteria for assessment at the tax rate of 12.5% (for the year ended 31 December 2019: 12.5%).

Pursuant to Cai Shui [2011] No. 112 issued by State Administration of Taxation and the Ministry of Finance, from 1 January 2010 to 31 December 2020, a newly established enterprise, which complies with the "Announcement of the preferential enterprise income tax in respect of the two special Kashi and Khorgos economic development zones in Xinjiang Province", is entitled to an EIT exemption for five years, commencing from the first operating revenue-making year. During the year, two PRC subsidiaries met the criteria for EIT exemption (for the year ended 31 December 2019: exemption).

Pursuant to Cai Shui [2011] No. 58 issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation, National Development and Reform Commission Order No.15, Announcement of the State Administration of Taxation [2012] No. 12 and Announcement of the State Administration of Taxation [2015] No. 14, from 1 January 2011 to 31 December 2020, a newly established enterprise which complies with these policies is entitled to 15% preferential tax rate for the period from date of establishment to 31 December 2020. For the year ended 31 December 2019, one PRC subsidiary was entitled to 15% preferential EIT rate, and for the year ended 31 December 2020, pursuant to Cai Shui [2019] No. 13 issued by the Ministry of Finance was entitled to 20% preferential EIT rate for small enterprises and was entitled to a 40% tax exemption pursuant to Gui Zheng Fa [2014] No. 5 issued by the Guangxi Zhuang Autonomous Region People's Government.

During the Year, income tax expense amounted to approximately RMB644,000 (for the year ended 31 December 2019: income tax credit of approximately RMB167,000).

Profit for the Year

The Group's profit for the Year amounted to approximately RMB56,285,000 (for the year ended 31 December 2019: approximately RMB50,500,000). The increase in profit for the Year was mainly attributable to the growth in revenue contributed by publishing of self-developed games as well as development and sales of customised software and games.

Liquidity and Financial Resources

During the Year, the Group funds its operations mainly with cash generated from its operations and the net proceeds from the Global Offering. As at 31 December 2020, the Group's net current assets was approximately RMB253,230,000 (31 December 2019: approximately RMB114,727,000), while the Group's cash and cash equivalents as at 31 December 2020 was approximately RMB106,196,000 (for the year ended 31 December 2019: approximately RMB48,969,000). The Company was successfully listed on 15 July 2020 with net proceeds from the Global Offering amounting to approximately HK$90.7 million, further strengthening the Group's capital base.

As at 31 December 2020, the Group did not have any bank borrowings (31 December 2019: nil).

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

Currency Risk

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

Capital Commitments

As at 31 December 2020, the Group did not have any material capital commitments (31 December 2019: nil).

Pledged Assets and Contingent Liabilities of the Group

As at 31 December 2020, the Group had not pledged any of its assets, and the Group did not have any contingent liabilities.

Capital Structure

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

Significant Acquisitions and Disposals

Pursuant to the Reorganisation, the Company became the holding company of the Group upon completion of the Reorganisation. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" under the section "History, Reorganisation and Corporate Structure" in the Prospectus.

During the Year, the Group did not have any significant acquisitions and disposals relating to subsidiaries, associates and joint ventures.

Significant Investments

As at 31 December 2020, the Group did not have any significant investments.

Employees and Remuneration Policy

As of 31 December 2020, the Group employed 118 (31 December 2019: 137) employees. Employees' remunerations are determined with reference to factors such as qualifications, duties, contributions and experience.

Use of Proceeds

The net proceeds from the Global Offering received by the Company, after deducting the underwriting commission, fees and estimated expenses payable by the Company in connection with the Global Offering, amounted to approximately HK$90.7 million. The following table sets forth the status of the use of the net proceeds from the Global Offering:

	Intended utilisation of proceeds after the Listing as set out in the Prospectus *HK$ million*	**Actual amount of proceeds utilised since the Listing up to 31 December 2020** *HK$ million*	**Unutilised proceeds** *HK$ million*	**Expected timeline of full utilisation of proceeds**
Enhance our game development capabilities and expand our game portfolio	30.0	18.2	11.8	By end of 2021
Strengthen our publishing capabilities	41.8	27.7	14.1	By end of 2021
Establish an integrated game distribution platform	12.4	—	12.4	By end of 2022
Expand our geographic coverage and build international user base	6.5	—	6.5	By end of 2022
	90.7	45.9	44.8	

The Group's business objective as set out in the Prospectus is based on the Group's best estimates for future market conditions when the Prospectus was prepared. As of 31 December 2020, the proceeds have been gradually utilised according to actual developments. As at the date of this report, the Board anticipates no changes relating to the planned use of proceeds. The remaining unutilised proceeds for the enhancement of game development capabilities and expansion of game portfolio, as well as for strengthening the publishing capabilities are expected to be fully utilised during year 2021. For the establishment of integrated game distribution platform, the COVID-19 pandemic has impacted the Group's progress in developing such platform. The Group is currently in discussion with third party vendors on the design and details of the set up of the game distribution platform. The allocated proceeds for the integrated game distribution platform are expected to be fully utilised during year 2022 based on the latest progress. For the planned expansion of geographic coverage, the Group was not able to initiate the plan during the Year due to the travel restrictions imposed during the COVID-19 pandemic. The Group will revisit the geographical expansion plan when the travel restrictions are relaxed. The allocated proceeds are expected to be fully utilised during 2022, subject to the uncertainty about the futher development of the COVID-19 pandemic.

Outlook

The Group will continue to expand our research and development capacity with an aim to bring quality gameplay experience to game players. The Group is currently designing a cloud gaming platform based on the 5G network, whereby game players will be able to run games directly through the cloud platform without having to download the game application, and will be able to purchase games and recharge for consumption within the games, as well as share interactions. The Group expects to launch the cloud gaming platform in 2022.

Drawing upon our experience in the publishing of a large portfolio of games, as well as faster expansion of businesses and enhanced research and development capacity for the Group with funding support from the successful listing on the main board of the Stock Exchange, the Group is optimistic about the momentum of the Company's business development.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report together with the audited financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2020 are set out in note 31 in the Notes to the Consolidated Financial Statements.

FINANCIAL STATEMENTS

The profit of the Group for the Year and the Group's financial position as at 31 December 2020 are set out in the financial statements on pages 64 to 122 of this annual report.

DIVIDENDS

The Board does not recommend any distribution of final dividend for the Year (2019:nil).

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB104 million (2019: RMB nil). Details of the reserves of the Company as at 31 December 2020 are set out in note 32 in the Notes to the Consolidated Financial Statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the Year amounted to approximately RMB466,000 (2019: Nil).

SHARE CAPITAL

Details of the movements in share capital of the Company during the Year are set out in note 25 in the Notes to the Consolidated Financial Statements.

DIRECTORS

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

Executive Directors

Mr. Sui Jiaheng *(Chairman)*	*(appointed on 18 April 2018)*
Mr. Li Haijun	*(appointed on 3 April 2019)*
Mr. He Shaoning	*(appointed on 3 April 2019)*

Non-executive Director

Mr. Huang Zhigang	*(appointed on 3 April 2019)*

Independent non-executive Directors

Ms. Zhang Chunmei	*(appointed on 23 April 2020)*
Mr. Deng Chunhua	*(appointed on 23 April 2020)*
Ms. Chen Nan	*(appointed on 23 April 2020)*

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

Each of the executive Directors had entered into a service contract with the Company for an initial term of three years commencing on 15 July 2020, the Listing Date.

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

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

In accordance with article 84 of the Company's articles of association, Mr. Sui Jiaheng, Mr. Huang Zhigang and Mr. Deng Chunhua will retire from the Board by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out on pages 53 to 58 of this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

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

As at 31 December 2020, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long Positions in the Shares of the Company

Name of Director	Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company(1)
Mr. Sui Jiaheng(2)	Interest in a controlled corporation	162,000,000	40.50%
Mr. Huang Zhigang(3)	Interest in a controlled corporation	22,740,000	5.68%
Mr. Li Haijun(4)	Interest in a controlled corporation	3,240,000	0.81%

Notes:

1. Based on 400,000,000 issued Shares as at 31 December 2020.

2. Mr. Sui Jiaheng is the sole shareholder of Sun JH Holding Ltd. which holds 162,000,000 Shares. Therefore, Mr. Sui is deemed to be interested in Sun JH Holding Ltd.'s interest in the Shares pursuant to the SFO.

3. Mr. Huang Zhigang is the sole shareholder of Together Win Capital (Holdings) Co., Ltd. which, pursuant to the SFO, is a control entity of HX Tech Holdings Limited and LYZ Tech Holding Ltd.. HX Tech Holdings Limited and LYZ Tech Holding Ltd. together hold in aggregate 22,740,000 Shares. Therefore, Mr. Huang Zhigang is deemed to be interested in Together Win Capital (Holdings) Co., Ltd.'s interest in the Shares pursuant to the SFO.

4. Mr. Li Haijun is the sole shareholder of Leap HJ Holding Ltd. which holds 3,240,000 Shares. Therefore, Mr. Li Haijun is deemed to be interested in Leap HJ Holding Ltd.'s interest in the Shares pursuant to the SFO.

Long Positions in Associated Corporation

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

Name of Director	Nature of interest	Approximate percentage of interest in the issued share capital of associated corporation
Mr. Sui Jiaheng *(Note)*	Beneficial interest	50%
Mr. Li Haijun *(Note)*	Beneficial interest	1%

Note: Mr. Sui Jiaheng and Mr. Li Haijun respectively hold 50% and 1% of the equity interest of Dinglian Technology as part of the contractual arrangements to enable the Company to maintain and exercise control over Dinglian Technology.

Save as disclosed above, as at 31 December 2020, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

So far as is known to any Director or chief executive of the Company, as at 31 December 2020, the persons or corporations (other than the Directors or chief executives of the Company) who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO, were as follows:

Long Positions in the Shares of the Company

Name	Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company[1]
Sun JH Holding Ltd.[2]	Beneficial interest	162,000,000	40.50%
Li Wei[2]	Interest of spouse	162,000,000	40.50%
Together Win Capital (Holdings) Co., Ltd.[3]	Interest in controlled corporations	22,740,000	5.68%

Notes:

1. Based on 400,000,000 issued Shares as at 31 December 2020.
2. Ms. Li Wei is the spouse of Mr. Sui Jiaheng. By virtue of the SFO, Ms. Li Wei is deemed to be interested in the same number of Shares in which Mr. Sui Jiaheng is deemed to be interested; Mr. Sui Jiaheng is the sole shareholder of Sun JH Holding Ltd. Therefore, Mr. Sui Jiaheng is deemed to be interested in Sun JH Holding Ltd.'s interest in the Shares, pursuant to the SFO.
3. Together Win Capital (Holdings) Co., Ltd. is, pursuant to the SFO, a control entity of HX Tech Holdings Limited and LYZ Tech Holding Ltd., which hold 12,960,000 Shares and 9,780,000 Shares, respectively. Together Win Capital (Holdings) Co., Ltd. is deemed to be interested in an aggregate of 22,740,000 Shares pursuant to the SFO.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other person, other than Directors and the chief executive of the Company, who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

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

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

No option had been granted as at 31 December 2020 and up to the date of this annual report.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to the date of this annual report.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Apart from the contracts relating to the Reorganisation of the Group in relation to the Listing and save as disclosed in this annual report, no contracts of significance were entered into between the Company or any of its subsidiaries and any controlling Shareholders or any of these subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by any controlling Shareholders or any of these subsidiaries.

CONNECTED TRANSACTIONS

During the Year, no related party transactions disclosed in note 27 in the Notes to the Consolidated Financial Statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

Contractual Arrangements

Background

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

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

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

1. the exclusive option agreement dated 7 November 2018, pursuant to which Khorgos Entertainment Information Technology Company Limited (霍爾果斯娛科信息技術有限公司) ("**Khorgos Entertainment**") was granted an irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interests in Dinglian Technology, and an irrevocable and exclusive right to purchase from Dinglian Technology all or any part of its assets, at a nominal price, unless the relevant governmental authorities request that another amount be used as the purchase price and in which case the purchase price shall be such amount (the "**Exclusive Option Agreement**");

2. the exclusive business cooperation agreement dated 7 November 2018, pursuant to which Dinglian Technology agreed to, among other things, engage Khorgos Entertainment as its exclusive provider of business support, technical and consulting services in exchange for service fee (the "**Exclusive Business Cooperation Agreement**");

3. the share pledge agreement dated 7 November 2018, pursuant to which the Registered Shareholders pledged all of their equity interests in Dinglian Technology to Khorgos Entertainment as collateral security for all of their payments due to Khorgos Entertainment and to secure performance of all obligations of Dinglian Technology and the Registered Shareholders under the Contractual Arrangements (the "**Share Pledge Agreement**");

4. the shareholders' rights entrustment agreement dated 7 November 2018 in relation to the entrustment of shareholders' rights of Dinglian Technology (the "**Shareholders' Rights Entrustment Agreement**") and the irrevocable powers of attorney all dated 7 November 2018 executed by the Registered Shareholders, authorising Khorgos Entertainment and any person designated by it to, among other things, exercise all of their rights as registered shareholders of Dinglian Technology (the "**Powers of Attorney**"); and

5. the undertakings dated 7 November 2018 executed by the spouses of each of the Registered Shareholders (the "**Spouse Undertaking**").

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

For the Year, the services provided by Khorgos Entertainment to the PRC Operating Entities, including the provision of technical and management services, amounted to approximately RMB14.2 million. The revenue and net profit of the PRC Operating Entities subject to the Contractual Arrangements amounted to approximately RMB240 million and RMB75 million for the Year, respectively. The total assets and total liabilities of the PRC Operating Entities subject to the Contractual Arrangements amounted to approximately RMB235 million and RMB25 million as at 31 December 2020, respectively.

Risks associated with the Contractual Arrangements

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

Waiver from the Stock Exchange

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

Annual review by the independent non-executive Directors and auditor

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

1. the transactions carried out during the Year had been entered into in accordance with the relevant provisions of the Contractual Arrangements;

2. no dividends or other distributions had been made by the PRC Operating Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group;

3. other than the Contractual Arrangements, no new contracts had been entered into, renewed and/or reproduced between the Group and the PRC Operating Entities during the Year; and

4. the Contractual Arrangements had been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable so far as the Group is concerned, and in the interest of the Company and its Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules, with an emphasis of matter paragraph in relation to the fact that the Company is not required to establish and announce an annual cap in respect of the continuing connected transactions in connection with the Exclusive Business Cooperation Agreement for the year ended 31 December 2020. The auditor also concluded in the letter that nothing has come to their attention that causes them to believe that (a) the continuing connected transactions disclosed above have not been approved by the Board; (b) the continuing connected transactions disclosed above were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (c) any dividends or other distributions have been made by Dinglian Technology to their equity interest holders with respect to the transaction in connection with the Exclusive Option Agreement. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

INTEREST IN COMPETING BUSINESS

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

MANAGEMENT CONTRACTS

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

PRE-EMPTIVE RIGHTS

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

EMOLUMENT POLICY

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

PENSION SCHEME

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

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

BUSINESS REVIEW

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

EVENTS AFTER REPORTING PERIOD

There is no important event affecting the Group that had occurred since the end of the Year up to the date of this annual report.

CHANGE IN DIRECTORS' INFORMATION

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

Name of Director	Changes
Mr. Sui Jiaheng	• Appointed as a director of Hainan Entertainment Information Technology Company Limited (海南娛科信息技術有限公司), a subsidiary of the Company, in August 2020 • Appointed as a director of Hechi Sino Entertainment Information Technology Company Limited (河池新娛科信息技術有限公司), a subsidiary of the Company, in October 2020 • Appointed as director of Khorgos Sino-Entertainment Information Technology Company Limited (霍爾果斯新娛科信息技術有限公司), a subsidiary of the Company, in December 2020 • Appointed as a director of Khorgos Dinglian Network Technology Company Limited (霍爾果斯頂聯網絡科技有限公司), a subsidiary of the Company, in December 2020

PERMITTED INDEMNITY PROVISION

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

TAX RELIEF AND EXEMPTION

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, aggregate sales attributable to the Group's largest and five largest customers were 16.4% (2019: 18.3%) and 42.3% (2019: 56.3%) of the Group's total sales respectively.

During the Year, aggregate purchases attributable to the Group's largest and five largest suppliers were 20.9% (2019: 28.7%) and 58.9% (2019: 67.4%) of the Group's total purchases respectively.

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

AUDITOR

The consolidated financial statements for the Year have been audited by Deloitte Touche Tohmatsu ("**Deloitte**"). Deloitte shall retire in the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting. There is no change in auditor since the date of the Listing.

COMPLIANCE WITH LAWS AND REGULATIONS

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

SUFFICIENCY OF PUBLIC FLOAT

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

BANK LOANS

The Group did not have any banking facility or outstanding loan as at 31 December 2020.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 123 of this annual report.

On behalf of the Board
Sui Jiaheng
Chairman

30 March 2021

The Board of Directors (the "**Board**") of Sino-Entertainment Technology Holdings Limited (the "**Company**") is dedicated to the design, implementation and monitoring of the robust corporate governance and effective internal control system for the Company and its subsidiaries (collectively as the "**Group**") for the purpose of enhancing the corporate value and accountability, formulating effective strategies, developing sustainable business and safeguarding Shareholders' interests.

For the period from the Listing Date up to 31 December 2020, the Board is of the view that the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") published by the Stock Exchange.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding directors' securities transactions on terms and at required standard as set out in the Model Code in Appendix 10 of the Listing Rules. The Group has made specific enquiries of all the Directors and they have confirmed that they have been complying with the required standard and the related code of conduct regarding Director's securities transactions throughout the period from the Listing Date up to the date of this report. As far as the Group is aware, the Directors of the Group have not breached the required standard and the code of conduct regarding Director's securities transactions.

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

BOARD OF DIRECTORS

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

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

Board Composition

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

The composition of the Board is as follows:

Executive Directors

Mr. Sui Jiaheng *(Chairman)*
Mr. Li Haijun
Mr. He Shaoning

Non-executive Director

Mr. Huang Zhigang

Independent non-executive Directors

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

The biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 53 to 56 of this Annual Report. For the financial year ended 31 December 2020, the Group has complied with the relevant Listing Rules regarding (i) appointment of at least three non-executive directors, among whom at least one independent non-executive director has appropriate professional qualifications or accounting or related financial management expertise; (ii) independent non-executive directors account for at least one-third of the Board; and (iii) independent non-executive directors are the majority in the Audit Committee of the Group and the chairman of the committee is an independent non-executive director.

Since the Listing to the date of this report, the Company has held three Board meetings and will hold the upcoming annual general meeting in mid of 2021, to which all Directors have expressed their intention of attendance. The Board considers that it has fulfilled the principles and requirements set out in code provision A.1.1. The board meetings and the upcoming annual general meeting shall be chaired by the Chairman, Mr. Sui Jiaheng.

The attendance records of the Directors at the Board meetings held during the period from the Listing Date up to the date of this report are as follows:

Name of Director	Number of Attendance/ Number of Board Meetings
Executive Directors	
Mr. Sui Jiaheng *(Chairman)*	3/3
Mr. Li Haijun	3/3
Mr. He Shaoning	3/3
Non-Executive Director	
Mr. Huang Zhigang	3/3
Independent Non-Executive Directors	
Ms. Zhang Chunmei	3/3
Mr. Deng Chunhua	3/3
Ms. Chen Nan	3/3

Apart from regular Board meetings, the Chairman also held meetings with Independent Non-executive Directors only without the presence of other Directors during the period from the Listing Date up to the date of this report.

Responsibilities and Accountabilities

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

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

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

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

Chairman and Chief Executive Officer

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

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

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

Independence

The Board has reviewed the relationship among all Directors and is satisfied that they are independent and not connected from any financial, business, family or other material/relevant relationship(s). As at the date of this report, each independent non-executive director has made an annual independence confirmation, and the Board is satisfied that all independent non-executive directors are independent and comply with the independence guidelines set out in Rule 3.13 of the Listing Rules.

Directors' Training and Continuous Professional Development

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

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

During the reporting period, all the Directors have received training on the topics of relevant listing rules conducted by our legal counsel.

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

Directors	Type of Training Note
Executive Directors	
Mr. Sui Jiaheng	A
Mr. Li Haijun	A
Mr. He Shaoning	A
Non-Executive Director	
Mr. Huang Zhigang	A
Independent Non-Executive Directors	
Ms. Zhang Chunmei	A
Mr. Deng Chunhua	A
Ms. Chen Nan	A

Note:

Type of Training:

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

Key Terms of Appointment

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

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

Devotion of Directors

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

BOARD COMMITTEES

The Board has established three Board Committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"). All three Board Committee are established, empowered and accountable for duties under relevant terms of references which are available on the Company's and HKEx's websites.

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

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

Audit Committee

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

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

For the period from the Listing Date up to the date of this report, the Audit Committee has fulfilled its main responsibilities including, but not limited to:

1. Review and monitor the relationship with the Company's auditors, including being primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any question of its resignation or dismissal;

2. Review of the Company's financial information, including monitoring integrity of the Company's financial statements and annual report and accounts, interim report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

3. Oversight of the Company's financial reporting system, risk management and internal control systems, including reviewing the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;

4. Performing the Company's corporate governance functions, particularly referring to:

   (a) Develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

   (b) Review and monitor the training and continuous professional development of Directors and senior management of the Company;

   (c) Review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

   (d) Develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and

   (e) Review the Company's compliance with the corporate governance code and disclosure in the Corporate Governance Report of the Company.

For the period from the Listing Date up to the date of this report, the Audit Committee has held two meetings and the attendance of the members is as follows:

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

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

Remuneration Committee

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

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

For the period from the Listing Date up to the date of this report, the Remuneration Committee has fulfilled its main responsibilities including, but not limited to:

1. Make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. Review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

3. Make recommendations to the Board on the remuneration packages of executive Directors, non-executive Directors and senior management; and

4. Ensure that no Director or any of his associates (as defined in the Listing Rules) is involved in deciding his own remuneration.

Details of the remuneration of the Directors and senior management for the Year are set out in note 10 to the consolidated financial statements.

For the period from the Listing Date up to the date of this report, the Remuneration Committee has held one meeting and the attendance of the members is as follows:

Members of the Remuneration Committee	**Attendance/ Number of meetings**
Mr. Deng Chunhua *(Chairman)*	1/1
Ms. Zhang Chunmei	1/1
Ms. Chen Nan	1/1

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

Nomination Committee

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

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

For the period from the Listing Date up to the date of this report, the Nomination Committee has fulfilled its main responsibilities including, but not limited to:

1. Review the structure, size and composition (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. Identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. Assess the independence of the independent non-executive Directors;

4. Make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for directors, in particular the Chairman and the chief executive; and

5. Review the policy on board diversity (the "**Board Diversity Policy**") and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives, and to make disclosure on its review results in the annual report of the Company annually.

For the period from the Listing Date and up to the date of this report, the Nomination Committee has held one meeting and the attendance of members is as follows:

Members of the Nomination Committee	Attendance/ Number of meetings
Mr. Sui Jiaheng *(Chairman)*	1/1
Ms. Zhang Chunmei	1/1
Mr. Deng Chunhua	1/1

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

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

If a Shareholder wishes to propose a person other than a director of the Company for election as a Director, the Shareholder must deposit a written notice (the "**Notice**") to the principal place of business of the Company in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, or the branch share registrar of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for the attention of the company secretary of the Company.

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

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

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

NOMINATION POLICY

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

(a) Board Diversity Policy;

(b) reputation for integrity;

(c) sufficient commitment in time and interest to the Group;

(d) qualification, experience and achievements that are relevant and appropriate to the Group's business;

(e) independence for the appointment of independent non-executive Directors; and

(f) any other relevant and significant factors as may be considered by the Nomination Committee and/or the Board.

The Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the period from the Listing Date up to the date of this report, there was no change in the composition of the Board.

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

BOARD DIVERSITY POLICY

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

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

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

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

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

COMPANY SECRETARY

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

Company Secretary	Appointment Date	Until
Ms. Wan Yin Yee	4 April 2019	5 February 2021
Ms. Cheung Chit San	5 February 2021	Currently in position

Both company secretaries obtain relevant professional qualifications in compliance with the requirement of Listing Rules. Ms. Cheung is a manager of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. She is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. She has also taken not less than 15 hours of relevant professional training for the financial year ended 31 December 2020 in compliance with Rule 3.29 of the Listing Rules.

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

SHAREHOLDERS' RIGHTS

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

Procedure to Convene An Extraordinary General Meeting

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

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

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

Putting Forward Enquiries to the Board

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

Contact Details

Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

Attention: Company Secretary

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

DIVIDEND POLICY

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

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

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

AUDITOR'S STATEMENT AND REMUNERATION

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

An analysis of the remuneration of the external auditor of the Company (Deloitte Touche Tohmatsu) for the year ended 31 December 2020 is set out below:

	Amount of Fee For the year ended 31 December 2020 *RMB'000*
Annual audit services	1,764
Non-audit services	—
Total	1,764

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

- The Board established relevant policy manual at entity and process level to regulate the key activities and to communicate the expectation of the Company.

- The Board assigned management at appropriate level to implement the internal controls and ensure the related operating effectiveness.

- Key divisions/departments conducted self-assessment regularly to assess and report their key performance indicators.

- The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

- The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Year.

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

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

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

KEY INSIDE INFORMATION PROCEDURES

The Company has established key inside information procedure in accordance to the Securities and Futures Ordinance (Cap. 571) (the "**SFO**") Part XIVA, including, but not limited to:

1. The members of the Board and senior officers of the Company are responsible for establishing an effective system to identify and report inside information that is specific about the Company, not generally known to the public and that has impact on the price of the Company's securities;

2. The members of the Board, as soon as they are aware of any inside information, are individually and collectively responsible for assessing the information and documenting their assessment in respect of the disclosure and confidentiality requirement;

3. The members of the Board, senior officers and any relevant persons who might have access to the inside information are required not to deal in the Company's securities when they are in possession of unpublished inside information;

4. The members of the Board, senior officers and any relevant persons who might have access to the inside information must take reasonable due care for safeguarding the confidentiality of unpublished inside information;

5. The members of the Board are responsible for ensuring timely, fair and comprehensive dissemination of inside information, in principle of maintaining a fair and informed market, including issuing announcements and/or requesting trading halt in situation of unexpected and significant event.

INVESTORS' RELATIONSHIP

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

The Articles of Association of the Group remains unchanged since the Listing Date.

Policies relating to Shareholders

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

1. ABOUT THIS REPORT

Overview

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

Sino-Entertainment recognises the importance of ESG to the Company's future, and is aware of the far-reaching impact of its operations and management on the environment and society. Key performance indicator ("**KPI**") disclosures not only represent Sino-Entertainment's long-standing compliance with regulations, but also demonstrate the Company's determination and confidence in integrating environmental and social concerns with daily operations.

This report summarises in brief Sino-Entertainment's ESG approach, the overall performance and highlights regarding ESG aspects for the Company's core businesses, as well as short-term and long-term plans and achievement targets.

This report aims to allow shareholders, investors (including potential investors) and the public to have a more comprehensive understanding of the Company's corporate governance and culture. The Company is glad to take on further social responsibilities while striving to maintain a balance between the interests of shareholders and society. Information contained in this report was obtained from various company documents and reports, as well as statistical data compiled by the Company's subsidiaries.

Reporting Principles and Standard of Reference

This report was prepared with reference to the ESG Reporting Guide published by SEHK. Strong efforts were made to ensure that disclosure of relevant information meets generally accepted industry and international standards.

Reporting principles were focused on four aspects as follows:

- Materiality: ESG matters which have a material impact on investors and other stakeholders form the core of this report.

- Measurable: KPI in respect of ESG policy and management system effectiveness are presented as quantitative information, and is accompanied by a narrative explaining its purpose and impact.

- Balance: This report provides an unbiased picture of the Company's performance, and avoids selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

- Integrity: Contents of this report are fully represented without omitting any details that may be important to stakeholders.

Reporting Scope and Key Areas

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

This report covers the period from 1 January 2020 to 31 December 2020.

2. ESG Framework

2.1 ESG Management System

Level of hierarchy	Body or department	Particular functions
Decision-making team	Board of directors (the "**Board**")	1. Discuss ESG direction and important matters 2. Review ESG working strategies 3. Review ESG working progress 4. Assess overall effectiveness of working system
Communication team	ESG working groups comprising senior management and department representatives	1. Identify ESG related risks 2. Formulate ESG working targets and strategies 3. Coordinate ESG information management and disclosure 4. Coordinate communication with stakeholders and materiality analysis 5. Report working progress to the Board on a regular basis
Execution team	ESG representatives from respective departments and subsidiaries	1. Complete tasks assigned by the communication team 2. Collect, compile and report relevant information on a regular basis 3. Provide timely feedback on actual working conditions and suggestions on actual working progress

2.2 Communication With Stakeholders

Sino-Entertainment values feedback from stakeholders and strives to address their concerns.

Stakeholder	Issues of concern	Communication channels	Frequency
Investors and shareholders	Corporate governance, financial performance	General meeting, financial report, ESG report	Annually
Suppliers and customers	Product quality and customer service	Company website, email, employee feedback	From time to time
Employees	Remuneration, health and safety, professional development	Regular meeting, internal complaint mechanism, training	From time to time
Government	Regulatory compliance, worker safety, social welfare	Interaction and visit, government inspection, tax returns, other information	From time to time
Community	Community environment, employment and community development, community welfare	Active engagement with relevant organisations	From time to time

2.3 Identifying Material Issues

In the course of preparing this report, we assessed ESG issues relevant to ourselves to understand respective stakeholder groups and their expectations for this report, from which we formulated the framework and contents of disclosure for this report to address the concerns of the stakeholder groups.

Our assessment of material issues consists of the following procedures:

Identification of stakeholders	Major stakeholder groups are identified and participation plans for each group are formulated
Participation of stakeholders	In-depth survey is conducted on respective stakeholder groups through methods such as interviews to understand their concerns and expectations in respect of the Company's ESG aspects
Ranking of material issues	Respective ESG issues are analysed and ranked through quantifying stakeholder survey findings
Determination by management	Material issues assessment and analysis results are submitted to management for final confirmation

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

1. Occupational health and safety
2. Product responsibility
3. Remuneration and welfare
4. Information security and privacy protection
5. Staff development and training
6. Anti-corruption
7. Product health and safety
8. Supply chain management
9. Community building and contribution to society
10. Usage and consumption of resources
11. Emissions management
12. Greenhouse gas ("**GHG**") emissions management

3. The Environment and Resources

We actively promote the concepts of "reduce", "reuse" and "recycle", through which we strive to protect the environment and give back to society. We

3.1 Use of Resources

We actively participated in various environmental events such as "Earth Hour", "National Energy-saving Campaign Week" and "National Carbon-free Day", building a corporate culture of cherishing resources, raising environmental awareness among employees and encouraging them to be environmentally friendly. Slogans such as "Save electricity, switch off lights when you leave", "Do your part to save energy and reduce emissions", "Every drop of water is precious", "Save the forests, print on both sides" are placed near lights, air conditioning, washrooms, and photocopiers. We encourage employees to use email for internal and external communication and keep electronic copies of documents where possible to minimise unnecessary printing and photocopying. All office supplies and equipment are recycled to the extent possible. Employees who failed to turn off lights and air conditioning in a timely manner are given reminders to ensure that every employee has a strong sense of environmental friendliness.

3.2 Emissions

As a game developer and publisher, we are not involved in industrial production, hence no hazardous waste (such as chemical waste) was produced in our operations. Our business does not involve packaging finished products, hence no significant packaging materials was used. During the reporting period, we fully complied with laws and regulations related to emissions. For non-hazardous waste (such as paper), we minimise waste production at the source, for example by promoting a paperless office and reducing consumption of bottled water.

3.3 The Environment and Natural Resources

While our business has no significant adverse impact on the environment and natural resources, we still monitored closely our potential impact on the environment. We assess our impact on the environment and natural resources on a regular basis, and formulate measures to mitigate any potential hazards.

3.4 Consumption of Resources

Our business does not involve significant discharge of exhaust and water, while paper is mainly used for office purposes. GHG emissions are mainly from consumption of electricity produced from fossil fuels. A summary of resource consumption for the reporting period is as follows:

Type of resource	Unit	Amount	Intensity
Electricity	Mwh	186.5	1.6/employee
Water	m^3	936	7.9/employee
Paper	kg	153	1.3/employee

3.5 Greenhouse Gas Emission

Carbon emissions are from indirect emissions relating to consumption of electricity. During the reporting period, aggregate carbon emissions of the Reporting Entities amounted to approximately 146.4 tonnes (1.24 tonnes per employee).

As the Reporting Entities have no motor vehicles, there were no sulfur oxides nor nitrogen oxides emissions.

4. Employment Relations

Our employees are our greatest wealth and the driving force behind our growth, success and value creation. We have formulated various personnel management policies to safeguard fundamental rights of our employees, so that they may grow with us and have a strong sense of belonging as part of the Company.

4.1 Equal and Diverse Employment

We strive to create a good working environment for all our employees. Our recruitment is conducted along principles of openness, fairness, and meritocracy. Internal posting is given priority in our recruitment process. We encourage reasonable mobility of our employees within our structure to increase promotion and education opportunities. As of 31 December 2020, we had a total of 118 employees.

We make strong efforts in promoting a team spirit that emphasizes mutual respect and equal opportunity. The Company complies strictly with various equal opportunities laws, including gender discrimination laws, racial discrimination laws, handicapped discrimination laws and family status discrimination laws. To ensure that diverse and equal employment opportunities are provided, our recruitment, remuneration and promotion criteria are based on employee working experience, skills and work performance, so that employees will not be discriminated against due to age, race, handicap, gender or family status.

We have set up a feedback box in the employee rest area. All feedback collected are submitted directly to the Board, whereby an investigation to verify the feedback will be conducted. In the event of discovery of non-compliance incidents, the employees involved will face sanctions. During the reporting period, we were not aware of any non-compliance incidents.

4.2 Remuneration and Benefits

We strictly implement laws and regulations on labour and personnel. We have established an incentive-restriction mechanism whereby employee wages are linked to their positions and performances, and we ensure that our remuneration and welfare provided are competitive in the market. We respect gender equality and adopt equal remuneration standards and structures for both male and female employees, and apply the same methods in determining remuneration.

We review remuneration and welfare plans on a regular basis, to ensure that they remain competitive. We also strictly comply with relevant laws and regulations in respect of welfare such as purchasing social insurance and making provident fund contributions, to ensure that employees have sufficient safeguards for their rights to physical well-being.

4.3 Labour Standards

We strictly comply with relevant laws and regulations. We have never employed child labour or forced labour. Currently, employees must meet the minimum age requirement of 18 years old at the time of employment commencement. During the reporting period, we did not receive any reported cases of non-compliance. We strictly comply with statutory working hours and holidays where our respective businesses operate. Office staff work five days a week and eight hours a day.

We provide casual leave, medical leave, marriage leave, bereavement leave, maternity leave, occupational injury leave, parental leave and annual leave, to facilitate employees in attaining a work-life balance.

4.4 Occupational Health and Safety

We treasure our relationship with our employees and always strive to enhance the Company's safety record. We continuously improve our occupational healthy and safety system, in order to provide more comprehensive protection measures for our employees and eliminate various potential healthy and safety risks. Smoking is prohibited in our offices to prevent fires. In the event of injury to workers, safety measures have been set out in our worker handbook providing guidelines for employees to respond to the emergency. During the extremity of the novel coronavirus pandemic in particular, the Company was highly concerned for the health and safety of each and every employee. We implemented a series of measures such as increased publicity and regular disinfection to strengthen protection of our employee's working environment and physical health. During the reporting period, the Company did not have any cases of material non-compliance with laws and regulations relating to workplace safety, and there were no cases of our employees contracting the novel coronavirus. Further, during the reporting period, there were no reports of work-related fatality or casualty incidents.

4.5 Staff Development and Training

We value each and every employee and believe that they will continue to grow as our business expands. We provide targeted, systematic and forward-looking training for our employees, to ensure that they can quickly meet the requirements of their respective positions, and at the same time discover their potential, so as to drive our sustained development.

We provide every new employee with induction training, which mainly covers: training on our vision and corporate culture, study of our basic rules and system, introduction to our worker's handbook, etc. In addition, emergency response plans have been formulated with all our employees participating in emergency drills by batches.

Training in Luocheng Dinglian

Sino-Entertainment provides all newly employed workers with formal and comprehensive training, in order to enhance their understanding of our operational policies and procedures. At the same time, besides induction training, we provide monthly on-the-job training for all employees, allowing workers to fully unleash their potential. During the reporting year, the Company organised thematic seminars for our employees to enrich their knowledge on themes such as ethics and risk management. We also encourage our departments to organise various unofficial training to strengthen learning and interaction. For management personnel, we also arrange for organisations to provide training on improving management skills and leadership. During the reporting period, our employees attended 2,478 hours of training, with each employee attending 21 hours of training on average.

The Company provides training to all our employees on a fair and equal basis. Employee training by gender and position is as follows:

	Number of employees	Percentage
By gender		
Male	33	28%
Female	85	72%
By position		
Management	8	7%
Non-management	110	93%

To ensure continuous improvement in our services, we are always reviewing and enhancing our training programmes.

4.6 Staff Composition

As of 31 December 2020, we had a total of 118 employees, 43 of which (36%) possessed a bachelor's degree or higher. An analysis of our employees by age, gender, position and regional distribution is as follows:

	Number of employees	Percentage
By age		
Below 31	53	50%
Above 31	65	55%

An analysis of employee turnover by different types is as follows:

	Number of employees	Percentage
By gender		
Male	24	41%
Female	34	59%
By position		
Management	0	0%
Non-management	58	100%
By age		
Below 31	19	33%
Above 31	39	67%

5. Operating Practices

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

5.1 Supply Chain Management

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

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

1) Conduct a background check on the game developer to survey its product portfolio.

2) Understand the target game's popularity and prospects in the current market by studying the local ranking charts.

3) Conduct internal testing to ensure the product operates as planned.

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

The suppliers of the Reporting Entities are mainly from China, representing 100% of our purchases during the reporting period. During the reporting period, we implemented a consistent assessment criteria for all our suppliers. Our list of suppliers did not include any suppliers who did not pass our assessment.

5.2 Product Responsibility

We place high emphasis on product quality and corporate reputation, conducting stringent tests on product quality. During the reporting period, there was no non-compliance with laws and regulations relating to health and safety of product and services.

In order to diversify our game portfolio and maintain game innovation, our research and development team, publishing team and management closely monitor game contents. Before a game is published, our research and development team fixes bugs and glitches in the system as much as possible. Further, final versions of our products integrate unique and value-added features to provide users with an optimal gaming experience. All our customer service staff have been provided with training on handling complaints, standard attitude, handling method and speaking techniques, in order to allow our customers to enjoy the best gaming experience.

The Company is not only focused on product quality but also the mental health of users, particularly children and youths. Thus, all our games comply with relevant laws and regulations in implementing measures to restrict the gaming time of minors, providing them with sufficient protection. In addition, our commercials are aired with appropriated endorsed actual game content.

5.3 Information Security and Privacy Protection

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

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

5.4 Anti-corruption

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

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

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

6. Community

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

Community Investment and Contribution to Society

As a major cultural enterprise in Hechi, Guangxi Province, PRC, Sino-Entertainment actively participates in provincial-level and municipal-level online and offline conferences, providing suggestions as a way of contributing to the rapid development of the community's cultural industry and fulfil our responsibilities to the community. At the same time, the Company actively participates in charity events such as Hechi's Targeted Poverty Alleviation Campaign and donations to combat the novel coronavirus outbreak, making our contribution to the community's economic development and anti-pandemic efforts. In addition, we organise various events at our various places of operations in conjunction with the local communities, and make suggestions to aid the development of the local communities. We strive to provide more resources for volunteer activities in making an active contribution to the community.

Appendix Stock Exchange ESG Guide KPI Index

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

Issue	Guide requirements	Report section/remark
A1 Emissions		
General Disclosure	Information on: (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.	Section 3
KPI A1.1	The types of emissions and respective emission data.	Section 3
KPI A1.2	Greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Section 3
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Section 3
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Section 3
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Section 3
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Section 3
A2 Use of Resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Section 3
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Section 3
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Section 3
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Section 3
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Section 3

Issue	Guide requirements	Report section/remark
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	A2.5 is not included as the products and services provided by the Group are online and do not involve any packaging material
A3 The Environment and Natural Resources		
General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Company is principally engaged in game development and operation and has no material impact on the environment and natural resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
A4 Climate Change		
General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	The Company is principally engaged in game development and operation and has no material impact on the climate
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	
B1 Employment		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Section 4
KPI B1.1	Total workforce by gender, employment type (for example, full-or parttime), age group and geographical region.	Section 4
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Section 4

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

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

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

EXECUTIVE DIRECTORS

Mr. Sui Jiaheng (隋嘉恒), aged 36, is the chairman of the Board and an executive Director primarily responsible for the overall strategic planning and development of the Group and the overall management and operations of the Group. Mr. Sui joined the Group in August 2015 as the vice general manager (sales) of Dinglian Technology and was appointed as an executive director of Dinglian Technology in November 2015. He was appointed as a Director on 18 April 2018 and was redesignated as the chairman of our Board and an executive Director on 3 April 2019.

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

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

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

Mr. Li Haijun (李海軍), aged 35, is an executive Director primarily responsible for game publishing and sales and external business cooperation and collaboration. Mr. Li was appointed as the executive director of Dinglian Technology when Dinglian Technology was established in December 2014. In November 2015, he ceased to be the executive director and since then he has been the vice general manager of Dinglian Technology. He was appointed as director of Dinglian Technology in October 2017. He was appointed as an executive Director on 3 April 2019.

Mr. Li is one of the founders of the Group and has over 12 years of experience in the technology industry. Prior to joining the Group, Mr. Li was a technician and software developer at Luocheng Mulao Autonomous County Chengxin Computer Limited* (羅城仫佬族自治縣誠信電腦有限責任公司) from December 2006 to March 2009. He was a technician and a research and development team leader at Hechi City Zunxin Accounting Service Limited* (河池市尊信會計服務有限公司), formerly known as Guangxi Luocheng Tianyun Xinlian Computer Science Limited* (廣西羅城天韻新聯電腦科技有限公司) from April 2009 to November 2014. During his employment with both of these companies, he was principally engaged in software development, overall construction and maintenance of the company network, technical training and personnel management.

Mr. Li graduated from Nanyang Institute of Technology (南陽理工學院), majoring in applied electronic technology, in July 2006. He was awarded the National Science and Technology Industry Advance Worker Title (全國科技行業先進工作者稱號) jointly by the China Enterprise Development Association (中國企業發展協會) and the Whole Country Brand Authentication Alliance (全國品牌認證 聯盟) in November 2017.

Mr. He Shaoning (何紹寧), aged 40, is an executive Director and the general manager of the Group, primarily responsible for the day-to-day business management of the Group. He has been the general manager of Dinglian Technology since December 2014, and has accumulated extensive experience in managing daily operations of Dinglian Technology and is responsible for work related to finance and human resources. He was appointed as director of Dinglian Technology in October 2017. He was appointed as an executive Director and the general manager of the Group on 3 April 2019.

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

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

NON-EXECUTIVE DIRECTOR

Mr. Huang Zhigang (黃志剛), aged 57, is a non-executive Director primarily responsible for providing advice on strategies to the Group. He joined the Group on 3 April 2019, when he was appointed as a non-executive Director.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

Mr. Deng Chunhua (鄧春華), aged 43, an independent non-executive Director primarily responsible for overseeing the management of the Group independently. He joined the Group in 23 April 2020, when he was appointed as an independent non-executive Director.

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

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

Ms. Chen Nan (陳楠), aged 35, is an independent non-executive Director primarily responsible for overseeing the management of the Group independently. She joined the Group in 23 April 2020, when she was appointed as an independent non-executive Director.

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

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

SENIOR MANAGEMENT

Mr. Li Tao (李濤), aged 39, is the chief executive officer of the Group. Mr. Li is primarily responsible for the overall business planning and daily management of the Group, including, among others, coordinating the publishing of online games. He joined the Group in January 2017 as the vice general manager of the gaming business department of Dinglian Technology. He was the general manager of the gaming business department of Khorgos Dinglian between January 2018 and January 2019. Since February 2018, Mr. Li has been the chief executive officer of Dinglian Technology.

Mr. Li has over 14 years of experience in marketing through his exposure to the gaming field and management of technology companies. Prior to joining the Group, Mr. Li worked in the marketing department of Guangzhou Jiexun Communication Technology Limited* (廣州捷訊通信技術有限公司) from September 2002 to April 2008, with the last position as marketing manager. From July 2008 to January 2011, Mr. Li worked on marketing-related matters at Shenzhen Zhengchuang Technology Limited* (深圳市徵創科技有限公司), a company principally engaged in game promotion. Mr. Li worked as the chief executive officer at Guangzhou Haoqi Network Technology Limited* (廣州市覓奇網絡科技有限公司) from November 2011 to July 2013. Mr. Li served as a marketing director of Guangzhou Yinhan Technology Co., Ltd. (廣州銀漢科技有限公司), a company principally engaged in the provision of mobile value-added services, mass online game development and operation services, from August 2013 to May 2014. During the period from June 2014 to November 2014, Mr. Li was a marketing manager of Guangdong Xinghui Tiantuo Interactive Entertainment Limited* (廣東星輝天拓互動娛樂有限公司) ("**Teamtop**"). Teamtop, a wholly-owned subsidiary of Rastar Group (星輝互動娛樂股份有限公司) whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 300043), is an integrated platform game company principally engaged in the research, development and distribution of internet games. Mr. Li worked as a general manager of Guangzhou Tianhen Network Technology Limited* (廣州市天痕網絡科技有限公司), a company principally engaged in the information technology services and promotion of games, from July 2015 to July 2016.

Mr. Li obtained his diploma in tourism management from Guizhou University of Commerce (貴州商業高等專科學院) in July 2002.

Mr. Qiu Junqing (邱俊青), aged 40, is the head of development team of the Group. Mr. Qiu is primarily responsible for overseeing the game research and development team of the Group. He joined the Group in January 2017 as the head of gaming at Dinglian Technology. Since January 2019, he has been the general manager of the mobile gaming research and development department at Dinglian Technology.

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

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

COMPANY SECRETARY

Ms. Cheung Chit San (張婕珊) was appointed as a company secretary of the Company on 5 February 2021.

Ms. Cheung is a manager of Corporate Services of Tricor Services Limited, a company secretarial services provider which has been engaged by us for company secretarial services. She has over 10 years of experience in the company secretary profession and has been providing corporate secretarial and compliance services to listed companies as well as multinational, private and offshore companies.

Ms. Cheung is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators). Ms. Cheung obtained a bachelor degree of Business Administration in China Business from City University of Hong Kong and further obtained a master degree of Science in Professional Accounting and Corporate Governance from City University of Hong Kong.

TO THE SHAREHOLDERS OF SINO-ENTERTAINMENT TECHNOLOGY HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Sino-Entertainment Technology Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 64 to 122, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition — Publishing of self-developed mobile games We identified revenue recognised from publishing of self-developed mobile games as a key audit matter because it is one of the key performance indicators of the Group, combined with high volume of transaction recognised. As disclosed in note 6 to the consolidated financial statements, the Group recognised over time revenue amounted to approximately RMB87.7 million during the year ended 31 December 2020 from publishing of self-developed mobile games. Revenue amounting to RMB86.2 million recognised over time during the year was derived from the sale of durable virtual items. As disclosed in notes 4(ii) and 5 to the consolidated financial statements, revenue on sales of durable virtual items from publishing of self-developed mobile games was recognised over the average playing period of paying players (the "**Player Relationship Period**") as the game players enjoy benefit ratably during the Player Relationship Period after the game players purchase the durable virtual items. The determination of Player Relationship Period of each game is based on the management's estimation that takes into account relevant information including the game players' first and last login time to the game, the return time since last login, consumption patterns as well as recharge behaviour.	Our procedures in relation to the revenue recognised from publishing of self-developed mobile games included: • Understanding key controls over the revenue recognition process in respect of revenue recognised from publishing of self-developed mobile games; • Engaging our internal information technology specialists to assess the reliability of the data generated from the Group's information systems regarding the game players' login patterns (including the game player's first and last login time to the game as well as the return time since last login), consumption patterns and recharge behavior, on a sample basis, by using computer-assisted audit techniques; • Assessing the appropriateness of the data used in the monthly computation of revenue recognised on games, on a sample basis, based on reports generated from the Group's information system; • Understanding and evaluating management's estimation on the expected Player Relationship Period of each game after taking into account relevant information including the game players first and last login time to the game, the return time since last login, consumption patterns as well as recharge behaviour; • Performing recalculation of the revenue based on reports generated from the Group's information system, statements from publishing service providers and respective Player Relationship Periods of each game on a sample basis.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors 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 requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

The engagement partner on the audit resulting in the independent auditor's report is Mak Chun Bon.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Revenue	6	**240,426**	187,710
Cost of sales		**(128,558)**	(111,897)
Gross profit		**111,868**	75,813
Other income	7	**1,901**	713
Other gains and losses	8	**(4,642)**	684
Other expenses		**(466)**	—
Administrative expenses		**(20,775)**	(5,972)
Interest on lease liabilities		**(8)**	(6)
Impairment loss under expected credit loss model, net of reversal		**(195)**	(73)
Research and development expenses		**(21,074)**	(9,681)
Listing expenses		**(9,680)**	(11,145)
Profit before taxation	9	**56,929**	50,333
Income tax (expense) credit	12	**(644)**	167
Profit and total comprehensive income for the year		**56,285**	50,500
Earnings per share	13		
– Basic and diluted (RMB cents)		**15.67**	15.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current assets			
Property and equipment	15	**83**	224
Right-of-use assets	16	**176**	43
Intangible assets	17	**35,904**	13,825
Deferred tax assets	18	**462**	167
		36,625	14,259
Current assets			
Trade and other receivables	19	**172,247**	86,831
Bank balances and cash	20	**106,196**	48,969
		278,443	135,800
Current liabilities			
Trade and other payables	21	**19,390**	17,516
Lease liabilities	22	**143**	37
Contract liabilities	23	**728**	636
Amounts due to shareholders	24	**—**	33
Taxation payable		**4,952**	2,851
		25,213	21,073
Net current assets		**253,230**	114,727
Total assets less current liabilities		**289,855**	128,986
Non-current liabilities			
Lease liabilities	22	**23**	—
Net assets		**289,832**	128,986
Capital and reserves			
Share capital	25	**275**	69
Share premium and reserves		**289,557**	128,917
Total Equity		**289,832**	128,986

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital *RMB'000*	Share premium *RMB'000*	Other reserve *RMB'000* *(note a)*	Statutory surplus reserve *RMB'000* *(note b)*	Accumulated profits *RMB'000*	Total *RMB'000*
At 1 January 2019	69	—	5,000	3,639	69,778	78,486
Profit and total comprehensive income for the year	—	—	—	—	50,500	50,500
Transfer	—	—	—	500	(500)	—
At 31 December 2019	**69**	**—**	**5,000**	**4,139**	**119,778**	**128,986**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**—**	**56,285**	**56,285**
Transfer	**—**	**—**	**—**	**1**	**(1)**	**—**
Capitalisation issue *(note 25)*	**154**	**(154)**	**—**	**—**	**—**	**—**
New ordinary shares issued upon listing of the Company's shares *(note 25)*	**52**	**112,017**	**—**	**—**	**—**	**112,069**
Transaction costs related to the issue of new ordinary shares	**—**	**(7,508)**	**—**	**—**	**—**	**(7,508)**
At 31 December 2020	**275**	**104,355**	**5,000**	**4,140**	**176,062**	**289,832**

Notes:

(a) The amount represents the nominal amount of paid-in capital of Luocheng Mulao Autonomous County Dinglian Technology Company Limited ("**Dinglian Technology**") (羅城仫佬族自治縣頂聯科技有限責任公司) which conducts the Group's operations. Upon completion of the Group Reorganisation as detailed in note 2, the amount is transferred from paid-in capital to other reserve.

(b) According to the relevant requirements in the articles of association of the relevant group entities and the relevant laws and regulatory regime of the People's Republic of China (the "**PRC**"), it is required to transfer 10% of profit after taxation, which is limited to 50% of the paid-in capital, to statutory surplus reserve. The transfer must be made before the distribution of a dividend to equity owners. The statutory surplus reserve is non-distributable other than upon liquidation and can be used to make up the prior year losses, if any.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**56,929**	50,333
Adjustments for:		
Interest income from bank deposits	**(96)**	(67)
Investment income from other financial assets	**(100)**	(88)
Exchange losses	**3,480**	—
Impairment loss recognised on trade receivables, net	**195**	73
Interest on lease liabilities	**8**	6
Depreciation on property and equipment	**142**	143
Depreciation of right-of-use assets	**151**	143
Amortisation of intangible assets	**1,855**	938
Operating cash flows before movements in working capital	**62,564**	51,481
Increase in trade and other receivables	**(89,345)**	(8,687)
Decrease in amount due from a director	**—**	7
Increase (decrease) in trade and other payables	**1,875**	(2,770)
Increase (decrease) in contract liabilities	**92**	(8,879)
Cash (used in) generated from operations	**(24,814)**	31,152
Income tax refund (paid)	**1,162**	(2,210)
Net cash (used in) from operating activities	**(23,652)**	28,942
INVESTING ACTIVITIES		
Purchase of other financial assets	**(22,500)**	(19,500)
Purchase of property and equipment	**(1)**	(86)
Proceed from redemption of other financial assets	**22,600**	19,588
Purchase of intangible assets	**(24,811)**	(10,189)
Interest received from bank deposits	**96**	67
Net cash used in investing activities	**(24,616)**	(10,120)
FINANCING ACTIVITIES		
(Repayment to) advance from shareholders	**(33)**	33
Proceeds from issue of shares	**112,069**	69
Repayment to directors	**—**	(10)
Payment of lease liabilities	**(155)**	(149)
Interest paid on lease liabilities	**(8)**	(6)
Issue cost paid	**(3,901)**	(2,183)
Net cash from (used in) financing activities	**107,972**	(2,246)
Net increase in cash and cash equivalents	**59,704**	16,576
Cash and cash equivalents at beginning of the year	**48,969**	32,323
Effect of foreign exchange rate changes	**(2,477)**	70
Cash and cash equivalents at end of the year, represented by bank balances and cash	**106,196**	48,969

1. GENERAL INFORMATION

Sino-Entertainment Technology Holdings Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 of the Cayman Islands on 18 April 2018 by eleven PRC citizens (the "**Registered Shareholders**") through setting up wholly-owned companies incorporated in the British Virgin Islands ("**BVI**").

The Company is an investment holding company. The Company and its subsidiaries (the "**Group**") is principally engaged in publishing and development of mobile games (the "**Listing Business**") in the PRC. The operations of the Group are conducted by Dinglian Technology and its subsidiaries (the "**Operating Entities**") while Dinglian Technology is legally owned by the Registered Shareholders.

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

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

2. GROUP REORGANISATION

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

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

2. GROUP REORGANISATION (Continued)

(i) (Continued)

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

(ii) On 30 April 2018, Sino-Entertainment (HK) International Holdings Limited ("**Sino-Entertainment (HK)**") was incorporated in Hong Kong as a limited liability company and wholly-owned by the Company. On 30 April 2018, Sino-Entertainment Technology (HK) Holdings Limited ("**Sino-Entertainment Technology (HK)**") was incorporated in Hong Kong as a limited liability company and wholly-own by the Company.

(iii) On 20 September 2018, Khorgos Entertainment Information Technology Company Limited (formerly known as Huocheng Entertainment Information Technology Company Limited) ("**Khorgos Entertainment**") was established in the PRC in the form of a wholly foreign-owned enterprise ("**WFOE**") and wholly-owned by Sino-Entertainment (HK).

(iv) On 7 November 2018, Khorgos Entertainment, Dinglian Technology and the Registered Shareholders entered into a series of contractual agreements (collectively, the "**Contractual Arrangements**"), which enables Khorgos Entertainment to obtain control over the financial and operational policies of the Operating Entities and become entitled to economic benefits generated by the Operating Entities. Accordingly, the Operating Entities are accounted for as subsidiaries of Khorgos Entertainment. Details of the Contractual Arrangements are set out below.

(v) On 17 April 2019, an equity transfer agreement was entered into by Dinglian Technology and Sino-Entertainment (HK), pursuant to which Dinglian Technology agreed to transfer the entire equity interest of Luocheng Dinglian (International) Limited ("**Dinglian (International)**"), which is engaged in Listing Business without restrictions imposed by the relevant laws and regulatory regime of the PRC (the "**PRC Laws**"), to Sino-Entertainment (HK) at a consideration of HK$14,000,000.

2. GROUP REORGANISATION (Continued)

Contractual Arrangements

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

- exercise effective control over the Operating Entities, expose, or has rights, to variable returns from its involvement with the Operating Entities and has ability to affect those returns through its power over the Operating Entities;

- exercise equity holders' controlling voting rights of the Operating Entities;

- receive substantially all of the economic interest returns generated by the Operating Entities in consideration for the business support, technical and consulting services provided by Khorgos Entertainment;

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

- obtain a pledge over the entire equity interest of the Operating Entities from their equity holders as collateral security, to secure performance of the Operating Entities obligations under the Contractual Arrangements.

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

2. GROUP REORGANISATION (Continued)

Contractual Arrangements (Continued)

The following financial statements balances and amounts of the Operating Entities (excluding Dinglian (International) for which the equity interest has been transferred to Sino-Entertainment (HK) on 17 April 2019) were included in the Historical Financial Information:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Revenue	**240,143**	187,710
Profit before taxation	**75,328**	58,542
Non-current assets	**7,465**	14,187
Current assets	**227,465**	121,617
Current liabilities	**24,704**	16,401

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

3.1 Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments for References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	*Definition of Material*
Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*

The application of the *Amendments for References to the Conceptual Framework in HKFRS Standards* and amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

3.2 New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	*Insurance Contracts and the related Amendments*[1]
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*[4]
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*[5]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[1]
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]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2018–2020*[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

4.1 Basis for preparation of consolidated financial statements

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

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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

4.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

4.2 Significant accounting policies (Continued)

Revenue recognition

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

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

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

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

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

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

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

4.2 Significant accounting policies (Continued)

Revenue recognition (Continued)

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

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

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

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

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

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

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

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

4.2 Significant accounting policies (Continued)

Revenue recognition (Continued)

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

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

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

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

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

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

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

4.2 Significant accounting policies (Continued)

Revenue recognition (Continued)

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

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

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

(iii) *Development and sales of games*

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

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

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

Output method

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

Variable consideration

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

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

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

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

4.2 Significant accounting policies (Continued)

Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Property and equipment

Property and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

4.2 Significant accounting policies (Continued)

Leases

Definition of a lease

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

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

The Group as a lessee

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

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

4.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a leasee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

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

4.2 Significant accounting policies (Continued)

Intangible assets

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

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

Research and development expenditure

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

Costs incurred on development projects are capitalised as intangible assets when recognition criteria are fulfilled. These criteria include: (1) it is technically feasible to complete the game product so that it will be available for use; (2) management intends to complete the game product and use or sell it; (3) there is an ability to use or sell the game product; (4) it can be demonstrated how the game product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the game product are available; and (6) the expenditure attributable to the game product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognised as expenses as incurred. During the reporting period, there were no development costs meeting these criteria and capitalised as intangible assets.

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

4.2 Significant accounting policies (Continued)

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

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

The recoverable amount of property and equipment, right-of-use assets and intangible assets is estimated individually.

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Foreign currencies

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

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

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

4.2 Significant accounting policies (Continued)

Retirement benefit costs

Payments to the defined contribution retirement plans, including state-managed retirement schemes in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Government grants

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

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

Taxation

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

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

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

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

4.2 Significant accounting policies (Continued)

Taxation (Continued)

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

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

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

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

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

Current and deferred tax are recognised in profit or loss.

Financial instruments

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

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

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

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at fair value.

(i) Amortised cost and interest income

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

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

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables.

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

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

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

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

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

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

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

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

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

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

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

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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

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

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

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Derecognition of financial liabilities

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

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Contractual arrangements

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

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

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

Key sources of estimation uncertainty

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

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

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

6. REVENUE AND SEGMENT INFORMATION

Revenue

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

For the year ended 31 December 2020

	Publishing of third parties games RMB'000	Publishing of self-developed mobile games RMB'000	Development and sales of games RMB'000	Total RMB'000
Time of revenue recognition				
At a point of time	—	1,516	29,245	30,761
Over time	123,458	86,207	—	209,665
Segment revenue and revenue from contracts with customer	123,458	87,723	29,245	240,426

For the year ended 31 December 2019

	Publishing of third parties games RMB'000	Publishing of self-developed mobile games RMB'000	Total RMB'000
Time of revenue recognition			
At a point of time	—	10,373	10,373
Over time	142,174	35,163	177,337
Segment revenue and revenue from contracts with customer	142,174	45,536	187,710

	2020 RMB'000	2019 RMB'000
The contracts with customers are with:		
Variable consideration	211,181	187,710
Fixed price	29,245	—
	240,426	187,710

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

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment Information

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

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

The Group's non-current assets are all located in the PRC by physical location of assets and substantially all of the Group's revenue are derived from the PRC.

Information about major customers

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

	2020 ***RMB'000***	2019 *RMB'000*
Customer A *(note a)*	**39,414**	19,005
Customer B *(note a)*	**N/A***	34,444
Customer C *(note a)*	**N/A***	31,251

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

Notes:

(a) Revenue from publishing of third party games.

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

7. OTHER INCOME

	2020 ***RMB'000***	2019 *RMB'000*
Government grant *(note)*	**1,400**	537
Value added tax refund	**405**	109
Interest income from bank deposits	**96**	67
	1,901	713

Note: The amounts received during the reporting periods represent the rewards from the government for continuing involvement in research and development activities which was one-off in nature.

8. OTHER GAINS AND LOSSES

	2020 RMB'000	2019 RMB'000
Net foreign exchange (loss) gain	**(4,731)**	594
Fair value gain on other financial assets	**100**	88
Others	**(11)**	2
	(4,642)	684

9. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2020 RMB'000	2019 RMB'000
Staff cost		
Directors' and chief executive's emoluments *(note 10)*	**1,143**	878
Other staff cost	**12,825**	9,356
Retirement contribution scheme for other staff	**115**	1,231
Total staff cost *(note b)*	**14,083**	11,465
Depreciation and amortisation		
Depreciation of property and equipment	**142**	143
Depreciation of right-of-use assets	**151**	143
Amortisation of intangible assets	**1,855**	938
Total depreciation and amortisation	**2,148**	1,224
Auditors' remuneration	**1,764**	30
Short-term lease payments	**173**	137
Research and development expenses *(note a)*	**21,074**	9,681

Notes:

(a) Research and development expenses consist of staff costs for the Group's research and development personnel of RMB7,684,000 (2019: RMB5,530,000), depreciation of property and equipment amounting to RMB49,000 (2019: RMB41,000) and amortisation of intangible assets of RMB496,000 (2019: RMB198,000) for the year ended 31 December 2020 which are also included in "Total staff costs" and "Total depreciation and amortisation" respectively, as above.

(b) Due to the outbreak of COVID-19 in the current year, payment of social welfare pension amounting to approximately RMB1,412,000 was waived by the PRC government (2019: nil).

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

2020	**Fees** *RMB'000*	**Salaries and other benefits** *RMB'000*	**Retirement benefit scheme contributions** *RMB'000*	**Total** *RMB'000*
Executive directors				
Mr. Sui Jiaheng	182	139	3	324
Mr. Li Haijun	122	65	1	188
Mr. He Shaoning	121	36	1	158
Chief executive officer				
Mr. Li Tao	—	382	3	385
Non-executive directors				
Mr. Huang Zhigang *(note a)*	22	—	—	22
Independent non-executive directors				
Ms. Zhang Chunmei *(note b)*	22	—	—	22
Mr. Deng Chunhua *(note b)*	22	—	—	22
Ms. Chen Nan *(note b)*	22	—	—	22
	513	622	8	1,143

2019	Fees *RMB'000*	Salaries and other benefits *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
Executive directors				
Mr. Sui Jiaheng	—	245	29	274
Mr. Li Haijun	—	108	16	124
Mr. He Shaoning	—	54	8	62
Chief executive officer				
Mr. Li Tao	—	387	31	418
Non-executive directors				
Mr. Huang Zhigang *(note a)*	—	—	—	—
	—	794	84	878

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Notes:

(a) A non-executive director, Mr. Huang Zhigang, was appointed by the Company on 3 April 2019.

(b) Independent non-executive directors, namely Ms. Zhang Chunmei, Mr. Deng Chunhua and Ms. Chen Nan, were appointed by the Company on 23 April 2020.

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

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

During the year, no emoluments were paid by the Group to the directors of the Company as an inducement to join or as compensation for loss of office (2019: nil).

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year include one executive director and the chief executive officer (2019: the chief executive officer) of whose remuneration are set out in note 10 above. The remaining three (2019: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Salaries and other benefits	**1,012**	1,247
Retirement benefit scheme contributions	**7**	124
	1,019	1,371

The emoluments of the aforesaid employees are within the band from nil to HK$1,000,000.

During the year, no emoluments were paid by the Group to these individuals as an inducement to join or as compensation for loss of office (2019: nil).

12. INCOME TAX EXPENSE (CREDIT)

	2020 RMB'000	2019 RMB'000
Current tax:		
PRC enterprise income tax ("**EIT**")	949	—
Over provision in prior years:		
Hong Kong Profits Tax	(10)	—
Deferred tax (note 18):		
Current year	(295)	(167)
Income tax expense (credit)	644	(167)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue Amendment (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for taxation in Hong Kong has been made as the Group's income is not derived from Hong Kong.

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Pursuant to the relevant regulations issued by the State Administration of Taxation, the Ministry of Finance, and/or other government authorities, software enterprises shall be exempted from EIT for two years from the first profit-making year and shall be taxed at half of the statutory tax rate from the third to the fifth year. Dinglian Technology entered into the first profit-making year in 2016, but it was not qualified as a software enterprise in 2016. Dinglian Technology obtained the certificate of software enterprise on 24 July 2017. Therefore, Dinglian Technology's first qualified profit-making year was 2017 and the tax rates were 25%, 0%, 12.5%, 12.5%, 12.5% in the respective years from 2016 to 2020. During the year ended 31 December 2019, Dinglian Technology incurred a tax loss after taking into account the Super Deduction (defined below), accordingly no EIT is reocgnised.

12. INCOME TAX EXPENSE (CREDIT) (Continued)

Pursuant to Cai Shui [2011] No. 112 issued by State Administration of Taxation and the Ministry of Finance, from 1 January 2010 to 31 December 2020, a newly established enterprise, which complies with the "Announcement of the preferential enterprise income tax in respect of the two special Kashi and Khorgos economic development zones in Xinjiang Province", is entitled to an EIT exemption for five years, commencing from the first operating revenue-making year. The Group's subsidiaries, Khorgos Dinglian Interactive Network Technology Company Limited* ("**Khorgos Dinglian Interactive**") 霍爾果斯頂聯互動網絡科技有限公司 and Khorgos Entertainment, which are incorporated in Khorgos economic development zones in Xinjiang Province, are entitled to such EIT exemption for the years 2019 and 2020. The Group's two other subsidiaries, Khorgos Sino-Entertainment Information Technology Company Limited* ("**Khorgos Sino-Entertainment Information**") 霍爾果斯新娛科信息技術有限公司 and Khorgos Dinglian Network Technology Company Limited* ("**Khorgos Dinglian Network**") 霍爾果斯頂聯網絡科技有限公司, which are newly incorporated during the year ended 31 December 2020 in Khorgos economic development zones in Xinjiang Province, are entitled to such EIT exemption for the year 2020.

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

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

* *The English name is for identification purpose only*

12. INCOME TAX EXPENSE (CREDIT) (Continued)

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

	2020 *RMB'000*	2019 *RMB'000*
Profit before taxation	**56,929**	50,333
Tax at PRC EIT rate of 25% (2019: 25%)	**14,232**	12,583
Tax effects of expenses not deductible for tax purposes	**3,043**	2,960
Tax effects of income not taxable for tax purposes	**(4,134)**	(116)
Additional tax deduction on intra-group equity transaction	**—**	(1,538)
Effect of tax exemption on concessionary rates granted to PRC subsidiaries	**(9,283)**	(11,963)
Super Deduction for research and development expenses	**(3,368)**	(2,047)
Tax effect of deductible temporary differences not recognised	**184**	37
Tax effect of tax losses not recognised	**—**	8
Utilisation of deductible temporary difference previously not recognised	**—**	(22)
Utilisation of tax losses previously not recognised	**(20)**	(69)
Over provision in prior years	**(10)**	—
Tax expense (credit) for the year	**644**	(167)

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2020	2019
Earnings		
Profits for the purposes of basic earnings per share earnings per share *(RMB'000)*	**56,285**	50,500
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**359,189,000**	324,000,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Company had been the holding company of the subsidiaries with shares issued and outstanding consistent with the basis of consolidation throughout during the reporting periods and the capitalisation issue had been effective on 1 January 2019.

The basic and diluted earnings per share are the same for the year ended 31 December 2020, as the effect of over-allotment option is insignificant. There was no potential ordinary shares in issue during the year ended 31 December 2019.

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14. DIVIDENDS

No dividend was declared or paid for the years ended 31 December 2020 and 2019 by the Company and the entities now comprising the Group, nor has any dividend proposed by the Company or its subsidiaries since the end of the reporting period.

15. PROPERTY, PLANT AND EQUIPMENT

	Office equipment *RMB'000*	Leasehold improvement *RMB'000*	Total *RMB'000*
COST			
At 1 January 2019	310	110	420
Additions	86	—	86
At 31 December 2019	396	110	506
Additions	1	—	1
At 31 December 2020	397	110	507
DEPRECIATION			
At 1 January 2019	111	28	139
Provided for the year	105	38	143
At 31 December 2019	216	66	282
Provided for the year	104	38	142
At 31 December 2020	320	104	424
CARRYING VALUES			
At 31 December 2020	77	6	83
At 31 December 2019	180	44	224

The office equipment and leasehold improvements are depreciated on a straight-line basis over its estimated useful life and after taking into account their residual values at the rate of 33.33% per annum.

16. RIGHT-OF-USE ASSETS

The Group leases certain properties as office premises. Property leases are typically made for fixed periods of one to three years at fixed rentals without renewal option. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease arrangements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

	Buildings *RMB'000*
As at 31 December 2020	
Carrying amount	176
As at 31 December 2019	
Carrying amount	43

	2020 ***RMB'000***	2019 *RMB'000*
Expenses relating to short-term leases	**173**	137
Depreciation of right-of-use assets	**151**	143
Interest expenses on lease liabilities	**8**	6
Total cash outflow for leases	**336**	292
Additions to right-of-use assets	**284**	—

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17. INTANGIBLE ASSETS

	Licenses *RMB'000*
COST	
At 1 January 2019	6,604
Addition	8,349
At 31 December 2019	14,953
Addition	24,811
Disposal	(1,132)
At 31 December 2020	38,632
AMORTISATION	
At 1 January 2019	190
Charge for the year	938
At 31 December 2019	1,128
Charge for the year	1,855
Eliminated on disposal	(255)
At 31 December 2020	2,728
CARRYING AMOUNT	
At 31 December 2020	35,904
At 31 December 2019	13,825

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

During the year ended 31 December 2020, the Group sold a self-developed mobile game together with the related fiction and animation copyright to an independent third party and recognised revenue of approximately RMB7,547,000 (2019: nil) and recorded under development and sales of games. Accordingly, the carrying amount of the related copyright of approximately RMB877,000 (2019: nil) were recognised as cost of sales during the year.

18. DEFERRED TAX ASSETS

	2020 *RMB'000*	2019 *RMB'000*
Deferred tax assets	**462**	167

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

	ECL allowance *RMB'000*	**Tax losses** *RMB'000*	**Total** *RMB'000*
At 1 January 2019	—	—	—
Credited to profit or loss *(Note 12)*	2	165	167
At 31 December 2019	2	165	167
Credited to profit or loss *(Note 12)*	19	276	295
At 31 December 2020	21	441	462

At the end of the reporting period, the Group has unused tax losses of RMB1,765,000 (2019: RMB1,407,000) available for offset against future profits. A deferred tax asset of RMB1,765,000 (2019: RMB1,326,000) has been recognised in respect of such losses. As at 31 December 2019, no deferred tax have been recognised in respect of the tax losses of RMB81,000 due to unpredictability of future profit streams. The tax losses will expire within five years.

As at 31 December 2020, the Group has deductible temporary differences of RMB907,000 (2019: RMB16,000). A deferred tax asset has been recognised in respect of RMB169,000 (2019: RMB14,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of RMB738,000 (2019: RMB2,000) of deductible temporary differences mainly due to the insignificance of the balances.

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19. TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**126,320**	49,163
Less: Allowance for credit losses	**(356)**	(161)
	125,964	49,002
Down payments to game publishers	**40,606**	27,379
Advances to suppliers	**2,622**	5,586
Deposits and prepayments	**1,319**	158
Value-added tax recoverable	**1,736**	24
Prepaid listing expenses	**—**	71
Deferred issue costs	**—**	4,611
	172,247	86,831

As at 1 January 2019, trade receivables from contracts with customers amounted to RMB56,647,000.

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

	2020 RMB'000	2019 RMB'000
0 to 90 days	**73,868**	39,780
91 to 180 days	**32,332**	9,222
181 to 270 days	**19,764**	—
	125,964	49,002

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

The Group allows credit period of 90 to 180 days to its debtors. The Group has a policy for allowance of impairment loss which is based on the evaluation of collectability and ageing analysis of trade receivables and on management's judgement including the creditworthiness and the past collection history of each customer. The management of the Group has also assessed all available forward looking information, including but not limited to expected growth rate of the industry and expected subsequent settlement and concluded that there is no significant increase in credit risk.

19. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB19,820,000 (2019: RMB473,000) which are past due as at the reporting date because of the counterparty's daily bank transfer limits.. The Group believes that the amounts are still recoverable as the counterparties are mainly well-known game publishers/ game publishing service providers in the PRC and have good repayment history. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in note 29.

20. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturity of three months or less. As at 31 December 2020, the bank balances carried interest at the prevailing market rate of 0.01% to 0.35% per annum (2019: 0.01% to 0.35% per annum).

Included in bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant group entity to which relates:

	2020 ***RMB'000***	2019 *RMB'000*
Hong Kong Dollars ("**HK$**")	**41,174**	5,657
United States Dollars ("**US$**")	**21**	200

21. TRADE AND OTHER PAYABLES

	2020 ***RMB'000***	2019 *RMB'000*
Trade payables	**15,094**	11,865
Other tax payables	**2,431**	682
Payroll and welfare payables	**704**	1,036
Accrued listing expenses and accrued issued cost	**294**	3,933
Accrued expenses	**850**	—
Others	**17**	—
	19,390	17,516

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

21. TRADE AND OTHER PAYABLES (Continued)

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

	2020 RMB'000	2019 RMB'000
0 to 30 days	4,418	3,352
31 to 60 days	5,233	5,370
61 to 90 days	3,030	3,143
91 to 180 days	2,413	—
	15,094	11,865

22. LEASE LIABILITIES

	2020 RMB'000	2019 RMB'000
Lease liabilities payable:		
Within one year	143	37
Within a period of more than one year but not exceeding two years	23	—
Within a period of more than two years but not exceeding five years	—	—
	166	37
Less: amount due for settlement with 12 months shown under current liabilities	(143)	(37)
Amount due for settlement after 12 months shown as non-current liabilities	23	—

The weighted average incremental borrowing rates applied to lease liabilities is 4.35% (2019: 5.39%).

23. CONTRACT LIABIITIES

As at 31 December 2020, contract liabilities consist of the unamortised revenue from sales of game tokens and other virtual items for mobile games in respect of publishing of self-developed mobile games with other publishing service providers, amounting to RMB728,000 (2019: RMB636,000) as the Group has an implied obligation to provide services for the unused game tokens and the durable virtual items over the Player Relationship Period.

The contract liabilities of RMB636,000 (2019: RMB9,515,000) were recognised as revenue during the year ended 31 December 2020.

As at 1 January 2019, contract liabilities amounted to RMB9,515,000.

24. AMOUNTS DUE TO SHAREHOLDERS

Balance as at 31 December 2019 represented the amounts due to shareholders which were non-trade in nature, unsecured, interest-free and repayable on demand. The amounts were repaid in full during the year ended 31 December 2020.

25. SHARE CAPITAL

	Number of shares	Share capital	
			Shown in the consolidated financial statements
	'000	*US$'000*	*RMB'000*
Ordinary shares of US$0.0001 each			
Authorised:			
At 1 January 2019, 31 December 2019 and 2020	500,000	50	
Issued and fully paid:			
At 1 January 2019 and 31 December 2019	100,000	10	69
Capitalisation issue *(note a)*	224,000	22	154
Issue of shares on initial public offering *(note b)*	76,000	8	52
At 31 December 2020	400,000	40	275

Notes:

(a) On 15 July 2020, the Company allotted and issued a total of 224,000,000 ordinary shares of US$0.0001 each, credited to the share premium account of the Company by applying such sum of approximately US$22,000 (equivalent to RMB154,000) at par for allotment and issue to holders of the shares whose names appear on the register of members of the Company at the close of business on 14 July 2020, immediately in proportion (as nearly as possible without involving fractions of a share shall be allotted and issued) to their then existing shareholdings in the Company.

(b) In connection to the listing of the Company's shares on 15 July 2020, 76,000,000 shares were allotted and issued at the offer price of HK$1.63 per share by way of the global offering. The Company's shares were listed on the Stock Exchange on 15 July 2020. The proceeds from the global offering was approximately HK$123,880,000 (equivalent RMB112,069,000).

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

26. RETIREMENT BENEFITS SCHEME

The employees of the Group's subsidiaries in the PRC are members of a state-managed defined contribution retirement scheme operated by the PRC government. The subsidiary is required to contribute 20% of payroll costs to the retirement scheme subject to certain cap as governed by the social fund bureau. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

The total expense recognised in the profit or loss of RMB123,000 (2019: RMB1,315,000) represents contributions paid or payable under the retirement benefit scheme.

27. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of the key management personnel during the reporting periods were as follows:

	2020	2019
	RMB'000	*RMB'000*
Salaries and other benefits	**1,398**	1,048
Retirement benefit scheme contribution	**10**	116
	1,408	1,164

The remuneration of key management personnel is determined by the executive directors having regard to the performance of individuals and market trends.

28. CAPITAL RISK MANAGEMENT

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

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

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

29. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
— Amortised cost	**233,177**	97,971
Financial liabilities		
— Amortised cost	**15,405**	15,831
— Lease liabilities	**166**	37

b. Financial risk management objectives and policies

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

Market risks

(i) Foreign currency risk

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

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

	Liabilities		Assets	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
HK$	**—**	3,622	**41,174**	5,657
US$	**—**	33	**1,038**	200

The Group does not use derivative financial instruments to hedge its foreign currency risk. However, the Group monitors foreign currency exposure and will consider hedging significant exposure should the need arises.

29. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risks (Continued)

(i) Foreign currency risk (Continued)

Sensitivity analysis

The Group mainly exposes to HK$ and US$, which are arising from relevant group entities' foreign currency denominated monetary assets and liabilities for the Group's operating activities and financing activities. The following table details the Group's sensitivity to a 5% increase and decrease in the functional currencies of the group entities against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period. A positive (negative) number below indicates an increase (decrease) in profit after taxation where the functional currencies of each group entity strengthens 5% against the relevant foreign currencies. For a 5% weakening of the functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the profit after taxation.

	2020 ***RMB'000***	2019 *RMB'000*
HK$	**(1,889)**	(55)
US$	**(52)**	(7)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of each reporting period does not reflect the exposure during the years ended 31 December 2020 and 2019.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to interest bearing bank balances. The Group's exposure to cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market interest rates.

No sensitivity analysis is presented for bank balances as the directors of the Company consider the Group's exposure to cash flow interest rate risk is not material.

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

29. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and other receivables and bank balances. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of each reporting period.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assesses the potential customer's credit quality and reputation and enterprise in the game publishing services industry, assign an internal credit rating and defines credit limits by customer. Limits and scoring attributed to customers are reviewed on a periodic basis. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances based on individual assessment.

As at 31 December 2020, the Group has concentration of credit risk on trade receivables as 64% (2019: 55%) of the total trade receivables were due from the Group's five largest customers, which are well-known game publishers/game publishing service providers in the PRC with good reputation in the industry.

The Group's internal credit grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Life time ECL — not credit-impaired
Watch list	Debtor frequently repays but usually settle after due date	Life time ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Life time ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

29. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables which are assessed individually as at 31 December 2020 and 2019 within lifetime ECL (not credit impaired).

Trade receivables	**Gross carrying amounts** ***RMB'000***	**Expected credit loss**	**Impairment loss allowance** ***RMB'000***
As at 31 December 2020			
Low risk	**79,459**	**0.12%**	**94**
Watch list	**46,861**	**0.56%**	**262**
			356

Trade receivables	Gross carrying amounts *RMB'000*	Expected credit loss	Impairment loss allowance *RMB'000*
As at 31 December 2019			
Low risk	47,469	0.32%	153
Watch list	1,694	0.5%	8
			161

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. There is no significant change in the composition of the portfolio of the low risk category and the credit risk remains low during the reporting periods.

During the year ended 31 December 2020, the Group provided RMB356,000 (2019: RMB161,000) impairment allowance for trade receivables and recognised a reversal of impairment loss of RMB161,000 (2019: RMB88,000) for trade receivables based on the individual assessment.

29. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables arising from contracts with customers (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2019	88	—	88
— Impairment loss recognised	161	—	161
— Reversal of impairment loss	(88)	—	(88)
As at 31 December 2019	161	—	161
— Impairment losses recognised	356	—	356
— Impairment losses reversed	(161)	—	(161)
As at 31 December 2020	356	—	356

Other receivables

Other receivables that is measured at amortised cost were considered to be of low credit risk, and thus the impairment provision recognised during the year was limited to 12m ECL. As at 31 December 2020, the Group has other receivables balance of RMB1,017,000 (2019: nil). The management make periodic individual assessment on the recoverability based historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportive forward-looking information. The management has assessed that the expected loss rate for other receivables was immaterial and hence no loss allowance was recognised.

Bank balances

For bank deposits, no impairment allowance was recognised was made since the directors of the Company consider the probability of default is negligible as such amounts are receivable from or placed in banks having good reputation.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirement. The Group manages liquidity risk by maintaining adequate banking facilities and borrowing facilities, by continuing monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

29. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

In the management of the liquidity risk, the Group monitors and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average interest rate %	On demand or less than 6 months RMB'000	6 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2020						
Trade and other payables	N/A	15,405	—	—	15,405	15,405
Lease liabilities	4.35	74	74	23	171	166
		15,479	74	23	15,576	15,571

	Weighted average interest rate %	On demand or less than 6 months RMB'000	6 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2019						
Trade and other payables	N/A	15,798	—	—	15,798	15,798
Amounts due to shareholders	N/A	33	—	—	33	33
Lease liabilities	5.39	37	—	—	37	37
		15,868	—	—	15,868	15,868

c. Fair values of financial instruments

The fair values of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities *RMB'000*	Accrued issue cost *RMB'000*	Amount due to a director *RMB'000*	Amounts due to shareholders *RMB'000*	Total *RMB'000*
At 1 January 2019	186	180	10	—	376
Financing cash flows	(155)	(2,183)	(10)	33	(2,315)
Issue cost accrued	—	3,007	—	—	3,007
Finance cost accrued	6	—	—	—	6
At 31 December 2019	37	1,004	—	33	1,074
Financing cash flows	(163)	(3,901)	—	(33)	(4,097)
Issue cost accrued	—	2,897	—	—	2,897
Finance cost accrued	8	—	—	—	8
New leases entered	284	—	—	—	284
At 31 December 2020	166	—	—	—	166

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid capital/ register capital	Shareholding/equity Interest attributable to the Company as at 2020	2019	Principal activities
Directly held					
Sino-Entertainment (HK)	Hong Kong 30 April 2018	HK$100	**100%**	100%	Investment holding
Hechi Sino Entertainment Information Technology Company Limited (河池新娛科信息技術有限公司#)	PRC 14 October 2020	HK$80,000,000	**100%**	N/A	Development, operation and publishing of mobile games
Indirectly held					
Khorgos Entertainment#	PRC 20 September 2018	RMB1,000,000	**100%**	100%	Investment holding and development of mobile games
Khorgos Sino-Entertainment Information#	PRC 16 December 2020	RMB3,000,000 *	**100%**	N/A	Development, operation and publishing of mobile games
Hainan Entertainment Information Technology Company Limited ("**Hainan Entertainment**")# (海南娛科信息技術有限公司)	PRC 24 August 2020	HK$10,000,000 *	**100%**	N/A	Development, operation and publishing of mobile games
Dinglian (International)	Hong Kong 2 February 2017	HK$21,000,000	**100%**	100%	Development, operation and publishing of mobile games

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid capital/ register capital	Shareholding/equity Interest attributable to the Company as at 2020	2019	Principal activities
Controlled by the Company pursuant to the Contractual Arrangements *(note)*					
Dinglian Technology	PRC 2 December 2014	RMB5,000,000	**100%**	100%	Development, operation and publishing of mobile games
Khorgos Dinglian Interactive	PRC 19 July 2017	RMB1,000,000	**100%**	100%	Development, operation and publishing of mobile games
Beihai Dinglian	PRC 28 September 2017	RMB1,000,000	**100%**	100%	Development, operation and publishing of mobile games
Khorgos Dinglian Network	PRC 17 December 2020	RMB1,000,000 *	**100%**	N/A	Development, operation and publishing of mobile games

* As at 31 December 2020, the registered capital of Hainan Entertainment, Khorgos Sino-Entertainment Information Technology, Khorgos Dinglian Network has not yet been paid.

Wholly foreign owned enterprise established in the PRC.

All entities now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date, except Sino-Entertainment (HK) which has adopted 30 September as its financial year end date.

Note:

These subsidiaries are controlled through Contractual Arrangements as explained in note 2. Due to the restrictions imposed by the PRC Laws on foreign ownership of companies engaged in the Listing Business carried out by the Group through the Operating Entities, the Group does not have legal ownership in equity of these subsidiaries.

For the year ended 31 December 2020

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 RMB'000	2019 RMB'000
Non-current asset		
Investments in subsidiaries	**67,340**	—*
Current assets		
Other receivables	**1,017**	4,682
Bank balances and cash	**27,073**	182
	28,090	4,864
Current liabilities		
Other payables	**293**	3,936
Amounts due to shareholders	**—**	33
Amounts due to subsidiaries	**22,984**	17,570
	23,277	21,539
Net current assets (liabilities)	**4,813**	(16,675)
Total assets less current liabilities	**72,153**	(16,675)
Net assets (liabilities)	**72,153**	(16,675)
Capital and reserves		
Share capital	**275**	69
Share premium and reserves	**71,878**	(16,744)
	72,153	(16,675)

* *The amount is less than RMB1,000*

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movements in reserves

	Share premium *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2019	—	(4,810)	(4,810)
Loss and total comprehensive expense for the year	—	(11,934)	(11,934)
At 31 December 2019	—	(16,744)	(16,744)
Loss and total comprehensive expense for the year	—	(15,733)	(15,733)
Capitalisation issue *(note 25)*	(154)	—	(154)
New ordinary shares issued upon listing of the Company's shares *(note 25)*	112,017	—	112,017
Transaction costs related to the issue of new ordinary shares	(7,508)	—	(7,508)
At 31 December 2020	104,355	(32,477)	71,878

FOUR-YEAR FINANCIAL SUMMARY

	Year ended 31 December			
	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**240,426**	187,710	151,214	107,267
Cost of sales	**(128,558)**	(111,897)	(94,199)	(67,267)
Gross profit	**111,868**	75,813	57,015	40,000
Other income	**1,901**	713	872	56
Other gains and losses	**(4,642)**	684	44	—
Other expenses	**(466)**	—	—	—
Impairment loss under expected credit loss model, net of reversal	**(195)**	(73)	(97)	(41)
Selling and marketing expenses	**—**	—	(143)	(1,666)
Administrative expenses	**(20,755)**	(5,972)	(4,147)	(2,706)
Interest on lease liabilities	**(8)**	(6)	—	—
Research and development expenses	**(21,074)**	(9,681)	(4,292)	(4,169)
Listing expenses	**(9,680)**	(11,145)	(4,810)	—
Profit before taxation	**56,929**	50,333	44,442	31,474
Income tax (expense) credit	**(644)**	167	(5,051)	(20)
Profit for the year	**56,285**	50,500	39,391	31,454

	As at 31 December			
	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets, Liabilities and Equity				
TOTAL ASSETS	**315,068**	150,059	114,304	61,619
TOTAL LIABILITIES	**25,236**	21,073	35,818	22,593
TOTAL EQUITY	**289,832**	128,986	78,486	39,026

GLOSSARY

"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Company"	Sino-Entertainment Technology Holdings Limited
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"EIT"	enterprise income tax in the PRC
"Global Offering"	the initial public offering of the Shares pursuant to the terms of the Prospectus
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date
"Listing Date"	15 July 2020, on which dealing in the Shares first commenced on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PRC"	the People's Republic of China, which, for the purpose of this report, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus of the Company dated 30 June 2020
"RMB"	Renminbi, the lawful currency of the PRC
"Reorganisation"	the reorganisation of the Group in relation to the Listing, details of which are set out in note 2 in the Notes to the Consolidated Financial Statements

"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of US$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Year"	year ended 31 December 2020
"%"	per cent.

* *In this annual report, the English translation which are marked with "*" is for identification purpose only*