

2021

ANNUAL REPORT



Incorporated in the Cayman Islands with limited liability

IGG INC STOCK CODE: 799

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zongjian Cai (*Chairman and chief executive officer*)

Mr. Yuan Xu

Mr. Hong Zhang

Ms. Jessie Shen

Mr. Feng Chen

Non-executive Director

Mr. Yuan Chi

Independent Non-executive Directors

Dr. Horn Kee Leong

Mr. Dajian Yu

Ms. Zhao Lu

BOARD COMMITTEES

Audit Committee

Dr. Horn Kee Leong (*Chairman*)

Mr. Dajian Yu

Ms. Zhao Lu

Nomination Committee

Dr. Horn Kee Leong (*Chairman*)

Mr. Zongjian Cai

Mr. Dajian Yu

Ms. Zhao Lu

Remuneration Committee

Ms. Zhao Lu (*Chairman*)

Mr. Zongjian Cai

Mr. Dajian Yu

JOINT COMPANY SECRETARIES

Ms. Jessie Shen

Ms. Yin Ping Yvonne Kwong (*FCG, HKFCG*)

AUTHORISED REPRESENTATIVES

Mr. Zongjian Cai

Ms. Jessie Shen

Ms. Yin Ping Yvonne Kwong

REGISTERED OFFICE

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KY1-1205 Cayman Islands

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#18-84 Mapletree Business City

Singapore 117372

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai

Hong Kong

AUDITOR

KPMG

(*Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance*)

LEGAL ADVISER AS TO HONG KONG LAWS

Jingtian & Gongcheng LLP

CORPORATE INFORMATION

LEGAL ADVISER AS TO PRC LAWS

Jingtian & Gongcheng

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Cayman Islands

HONG KONG SHARE REGISTRAR

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Wanchai
Hong Kong

COMPANY WEBSITE

www.igg.com

PRINCIPAL BANKS

Citibank N.A. Singapore Branch
Standard Chartered Bank (Singapore) Limited
The Hongkong and Shanghai Banking Corporation Limited

INVESTOR RELATIONS CONSULTANTS

Strategic Financial Relations Limited

CHAIRMAN'S STATEMENT

In 2021, the dual impact of the COVID-19 pandemic and introduction of new regulatory measures for games in China hastened changes in the gaming industry. For IGG, 2021 was a year of many challenges. To capture the opportunity presented by the “home-based” economy and the opportunity created by the different measures taken in China to control COVID-19 compared to other countries, we invested in new R&D centres to strengthen our game development capabilities.

In 2021, in the face of adversity, our business scaled new heights. The Group's revenue reached a record high of HK\$6.0 billion, primarily attributable to the contribution from existing title “Lords Mobile” and new titles, achieving a new milestone in multiple growth drivers.

Creativity is the soul of the gaming industry. It is difficult enough to get one hit title from numerous games. The ultimate goal for game companies is to produce multiple successful games. To this end, we have further strengthened our game development capability by setting up new R&D centres in Shanghai and Chengdu, which are well-known technology, media and telecommunications talent hubs in China. Although the Group's profit came under pressure in the short term due to heavy investments in R&D and operations, this is unavoidable along the road towards diversification and excellence.

Looking back at the history of IGG, we overcame obstacles and released our first hit tower defence/strategy game “Castle Clash” in 2013. It was a big breakthrough for IGG. We rapidly expanded our global R&D teams after 2013 and successfully produced another hit game “Lords Mobile” in 2016, which dominated worldwide rankings as the top-grossing mobile war strategy game for two consecutive years. As of 2021, “Lords Mobile” continues to generate stable revenue for the Group and has contributed HK\$23 billion since its launch in 2016. The outstanding revenue performance and longevity of “Lords Mobile” demonstrates IGG's capabilities in global operations and game development. It also demonstrates the company's remarkable progress, establishing itself as a core developer in the strategy game market.

Over the past few years, as we strove to sustain the company's growth by developing our next hit after “Lords Mobile”, we have adhered to our original aspirations with ambition, commitment and perseverance. In the area of game development, we seized the opportunity to recruit R&D talents in hi-tech hubs of innovation, growing from over 500 developers in 2016 to 2,000 in 2021. On top of accelerating internal research and development, we further strengthened our game development capability by investing externally in high-calibre R&D teams and high-potential games. At the same time, we have also established robust evaluation and testing processes for new games, by engaging gamer communities, looking at games from their perspectives, taking in their valuable comments and suggestions, and revamping or refining games based on their feedback. We believe the pursuit of excellence for our products in all aspects will enable us to produce more hit games.

CHAIRMAN'S STATEMENT

After years of effort, we launched the popular female-oriented game “Time Princess” in 2020. “Time Princess” is the Group’s first female-oriented dress-up game, and was developed with gamers’ feedback right from beginning. This approach enabled us to modify the product from art style to game play based on players’ preferences. The game has been well-received by players since its debut. IGG collaborated with the Kunsthistorisches Museum in Vienna and Xi’an Museum in China on in-game events for “Time Princess”, giving gamers a refreshing new experience. “Time Princess” was selected as the “Best of 2021 Awards – Best Pick Up & Play” by Google Play in South Korea. “Time Princess” not only allowed us to venture beyond our core expertise in strategy games, but also opened a new chapter in diversification and excellence for IGG.

“Innovators at Work” urges us to break out of our comfort zone, while “Gamers at Heart” motivates us to push boundaries and broaden our horizons. Stepping out of our comfort zone is difficult, but will certainly change us for the better. Venturing into the unknown is frightening, but will bring us to a bigger world. Looking ahead, we will continue to embrace our corporate spirit of “Innovators at Work, Gamers at Heart”. We are confident of creating innovative yet classic games through diligence, perseverance and ambition. As the ancient philosopher Lao-tzu said in “Tao-te Ching” (老子之道德經): “The Tao begets one; One begets two; Two begets three; Three begets all things” (道生一，一生二，二生三，三生萬物), we will continue to stride forward against adversity and excel.

Zongjian Cai
Chairman and Executive Director

28 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL PRESENCE

Established in 2006, IGG is a renowned developer and publisher of mobile games with a strong global presence and an international customer base of nearly 1.3 billion users and over 36 million MAU. Leveraging its success in client and browser PC online games, the Group changed its strategy to target the mobile games market in 2013. After nine years, the Group's mobile games and apps are now available in 23 different languages worldwide, while IGG has been listed among the "Top 52 Publishers" globally by data.ai¹ for seven consecutive years. Embracing our corporate spirit of "Innovators at Work, Gamers at Heart", the Group is dedicated to creating high-quality and enjoyable games that will stand the test of time.

IGG is headquartered in Singapore with local offices in the United States, China, Canada, Japan, South Korea, Thailand, the Philippines, Indonesia, Brazil, Turkey, Italy and Spain, and users from more than 200 countries and regions worldwide. Over the years, IGG has aggressively pursued a strategy of globalisation in R&D and operations, establishing long-term relationships with over 100 business partners, including global platforms, advertising channels, and vendors such as Apple, Google, Amazon, Meta and Steam. The Group's international presence and partnerships have enhanced its competitive advantage in the industry.

BUSINESS REVIEW

In 2021, the continuous spread of the COVID-19 pandemic across the globe and the introduction of new regulatory measures for games in China intensified competition in the games industry. IGG continues to maintain its competitive edge by leveraging its years of experience in global operations. The Group successfully released several new games in different genres, achieving a new milestone in portfolio diversification.

Leveraging its twin engines of existing and new games, IGG's revenue increased by 11% year-on-year to HK\$6.0 billion. During the Year, revenue generated from markets in Asia, North America and Europe accounted for 36%, 35% and 23%, respectively, of the Group's total revenue. For IGG, 2021 was also a year for strategic investments. IGG seized opportunities in the "home-based" economy to enhance marketing promotions and expand R&D teams to create momentum in the long run. The substantial increase in marketing and R&D expenses placed the Group's net profit under short-term pressure, realizing HK\$424 million in net profit for its core game business². Due to market volatility, the Group's investments in online mobile game companies and funds did not perform as well as in 2020, recording a loss of approximately HK\$55 million. The increase in expenses and loss on investments resulted in a decrease in the Group's net profit from nearly HK\$2,100 million in 2020 to HK\$370 million for the Year.

¹ data.ai: the authoritative third-party App Annie was renamed as data.ai.

² Net profit/loss for core game business: net profit/loss excluding gain or loss on investments. Gain or loss on investments: including (1) fair value change and gain/loss on disposal of other financial assets, and dividend income; and (2) share of results of associates and joint ventures, impairment loss on interest in associates and joint ventures and gain/loss on disposal and deemed disposal of associates and joint ventures.

MANAGEMENT DISCUSSION AND ANALYSIS

“Lords Mobile”

“Lords Mobile”, released in March 2016, is the Group’s first cross-platform, multi-language, real-time game designed for global gamers. The game has been well-received by gamers since launch and continues to generate stable revenue for the Group. As of 31 December 2021, it has over 490 million registered users worldwide and 12 million MAU.

With regular updates and streamlined game operation, “Lords Mobile” continued to deliver solid performance, with average monthly gross billing of over HK\$440 million. Following on the “Saint Seiya” IP collaboration in early 2021, IGG is collaborating with Universal Pictures to introduce their smash hit, Kung Fu Panda 3, into the game. IGG will continue to release new game content and different promotional initiatives to extend the game’s longevity.

“Time Princess”

“Time Princess”, released in the second half of 2020, is the first female-oriented game developed by the Group. On top of the frequent release of new interactive stories since its debut, the game has seen tie-ups with the Kunsthistorisches Museum in Vienna and Xi’an Museum in China for collaborative events, giving players a refreshing gaming experience. During the Year, “Time Princess” continued to be recognized by both gamers and the gaming industry, and was selected as the “Best of 2021 Awards – Best Pick Up & Play” by Google Play in South Korea.

“Castle Clash”

“Castle Clash” is a fast-paced tower defence game launched in 2013. After nearly nine years, the game remains popular. Frequent content updates and regular addition of new features have successfully sustained the game’s appeal.

New Titles

A diverse line-up of new titles, including strategy and action games, are scheduled for release to give players new gaming experiences. “Project Yeager”, a new action game offering top-notch 3D graphics, a dynamic combat system and a wide variety of characters, is slated for release in 2022. It has been well-received by players and the market during beta testing.

MANAGEMENT DISCUSSION AND ANALYSIS

Investments

The main objectives of the Group's investments are to strengthen its overall R&D capability and enrich its product portfolio. Through strategic agreements with companies in the games industry, including licensed publishing and outsourced game development, the Group strives to diversify its game portfolio. At the same time, the Group tracks strategic directions in the Internet industry by investing in private equity funds with outstanding performance and portfolios focused on mobile Internet business. During the Year, due to market volatility, the Group's investments in online mobile game companies and funds did not perform as well as last year, recording a loss on investments of approximately HK\$55 million.

PROSPECTS AND BUSINESS UPDATE FOR THE FIRST QUARTER OF 2022

Entering into 2022, the Group is affected by the international political situation and policy implications of respective countries, such as the international financial and trade sanctions caused by the war between Ukraine and Russia, which may also cause shocks to the global economy. In the meantime, major Chinese game companies are accelerating their international expansion out of China, which intensifies the competition and promotion cost of the industry. In the face of multiple challenges, despite the Group's best efforts to manage cost through integrating R&D resources, strengthening internal competition mechanism and actively controlling resources and expenditure, the Group's net profit still faces short-term pressure. Based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the period from 1 January 2022 to 28 February 2022 and other available information, it is expected that the Group will record HK\$1,200 million to HK\$1,400 million in revenue, and HK\$70 million to HK\$110 million of net loss in core game business in the first quarter of 2022. Due to market volatility, the Group's investments in online mobile game companies and funds are expected to face losses in the first quarter.

KEY FINANCIAL INFORMATION

	Year ended 31 December	
	2021	2020
	HK\$' 000	HK\$' 000 (Restated)
Revenue	6,050,894	5,464,035
Profit for the year	369,612	2,096,782
Including: Net profit for core game business	424,296	1,146,983
Profit for the year attributable to equity shareholders of the Company	370,438	2,097,015
Adjusted net income*	452,864	2,121,665

* Adjusted net income represents profit for the year attributable to equity shareholders of the Company excluding share-based compensation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Change of presentation currency

The consolidated financial statements of the Group had been presented in USD. Having considered that the shares of the Company are listed on the Stock Exchange, the Board believed it is more appropriate to adopt HKD as its presentation currency for the Group's consolidated financial statements. Furthermore, the Board considered that the change of presentation currency enables the shareholders and potential investors of the Company to have a more accurate picture of the Group's financial performance.

The Group had changed its presentation currency from USD to HKD for the preparation of its financial statements from 2021. The change of presentation currency will be applied retrospectively. The comparative figures for 2020 have been restated in HKD in this report. Please refer to the announcement of the Company dated 30 June 2021 for further details.

Revenue

The Group's revenue for the year ended 31 December 2021 was HK\$6,051 million, representing an increase of 11% compared to HK\$5,464 million for the year ended 31 December 2020. The increase was driven by stable performance of the Group's classic title "Lords Mobile" and revenue contribution of new game "Time Princess".

The following table sets forth a breakdown of the Group's revenue for the years ended 31 December 2021 and 2020, respectively:

	Year ended 31 December			
	2021		2020	
	HK\$'000	%	HK\$'000 (Restated)	%
"Lords Mobile"	5,020,305	83.0	4,684,684	85.7
"Time Princess"	312,230	5.2	37,702	0.7
"Castle Clash"	255,282	4.2	356,543	6.5
Others	463,077	7.6	385,106	7.1
Total	6,050,894	100.0	5,464,035	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of revenue

The Group's cost of revenue for the year ended 31 December 2021 was HK\$1,853 million, representing an increase of 12% compared to HK\$1,649 million for the year ended 31 December 2020, primarily due to the increase in channel costs consequent on higher revenue, and the increase of labor and server costs as a result of new games launched during the Year.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2021 was HK\$4,198 million, representing an increase of 10% compared to HK\$3,815 million for the year ended 31 December 2020, primarily due to the stable performance of "Lords Mobile", and revenue contribution from new game "Time Princess".

The Group's gross profit margin for the year ended 31 December 2021 was 69.4%, representing a decrease of 0.4% compared to 69.8% for the year ended 31 December 2020, primarily due to the increase in labor and server costs.

Other net gains/losses

The Group's other net losses for the year ended 31 December 2021 was HK\$31 million, and the other net gains for the year ended 31 December 2020 was HK\$996 million. The fluctuations in securities and investment markets during the Year resulted in a decrease in gain on investments in mobile internet and gaming related companies and funds as compared to that of the year ended 31 December 2020. Details are set out below in the section headed "Investments".

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 December 2021 was HK\$1,953 million, representing an increase of 36% compared to HK\$1,437 million for the year ended 31 December 2020. Selling and distribution expenses-to-revenue ratio for the Year was 32%, increased by 6% compared to 26% for the year ended 31 December 2020. The increase was mainly due to intensified promotions of core title "Lords Mobile" and new games with potential, to further enhance the Group's market competitiveness.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2021 was HK\$448 million, representing an increase of 25% compared to HK\$359 million for the year ended 31 December 2020. Administrative expenses-to-revenue ratio for the Year was kept to 7%, same as previous year. As the Group expanded its R&D and operation centers globally during the Year, the growth in headcount and operation scale resulted in higher expenses for office premises, payroll, and administration.

MANAGEMENT DISCUSSION AND ANALYSIS

Research and development expenses

The Group's research and development expenses for the year ended 31 December 2021 was HK\$1,254 million, representing an increase of 82% compared to HK\$690 million for the year ended 31 December 2020. Research and development expenses-to-revenue ratio was 21%, increased by 8% from 13% for the year ended 31 December 2020, mainly because the Group further expanded its game product lineup, continued to strengthen its research and development capabilities, and devoted more resources to related area.

Share of results of associates and joint ventures

The Group's share of results of associates and joint ventures for the year ended 31 December 2021 was a net loss of HK\$60 million, and the net loss for the year ended 31 December 2020 was HK\$18 million. Being an important link in the Group's overall investment strategy, these associates and joint ventures mainly focused on game development. The loss recognized by the Group primarily reflected the input being devoted by the associates and joint ventures during product development phase. As more resources were committed for R&D, the net loss on share of results of associates and joint ventures increased, and these investments can contribute more diversified products to the Group to enrich its game portfolio in the future.

Income tax expenses

The Group's income tax expenses for the year ended 31 December 2021 was HK\$77 million, representing a decrease of 63% compared to HK\$208 million for the year ended 31 December 2020, primarily due to the decrease in profit before taxation. The Group's effective tax rate increased from 9% for the year ended 31 December 2020 to 17% for the year ended 31 December 2021, mainly due to the sharp decrease of unrealised gain on change in fair value of other financial assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital expenditures

During the Year, the Group's capital expenditures were mainly related to purchases of property, plant and equipment, including acquisition of an own-use R&D office in Chengdu, China, renovation of R&D offices in various regions, and purchases of servers and computers; purchases of intangible assets, such as game licenses and software; and the final payment for acquisition of land use rights of the Land located in Fuzhou, China. Capital expenditures for the years ended 31 December 2021 and 2020 are set forth as below:

	Year ended 31 December	
	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Purchase of property, plant and equipment:		
Office premises and renovations ¹	188,012	1,535
Servers and computers	59,268	15,279
Purchase of intangible assets:		
Game license fee	18,428	–
Software	5,032	15,628
Acquisition of land use rights²	122,225	126,700

¹ It was related to the 90% prepayment for the acquisition of own-use office premises located in the high-tech zone of Chengdu, China, and renovation expenses for other R&D offices at various locations. On 1 February 2021, Chengdu Tianyong Digital Technology Co., Ltd.* (成都天勇數碼科技有限公司), an indirect wholly-owned subsidiary of the Company, entered into purchase agreements with Sichuan Ocean Land Development Co., Ltd.* (四川海洋置地發展有限公司) in respect of the acquisition of "the 15~19 floors of Neptune Center (phase II)" with a total area of 8,493.75 square meters, at a consideration of RMB132 million (equivalent to approximately HK\$158 million, at the exchange rate on the signing date). The 10% of final payment will be paid once the Group acquires the property rights in 2022.

² It was related to final 50% payment for the acquisition of land use rights of the Land located in Fuzhou, China. On 15 September 2020, Fuzhou Tianping entered into a land use rights assignment contract with Fuzhou Natural Resources and Planning Bureau in respect of the acquisition of land use rights of the Land at a consideration of RMB201 million (equivalent to approximately HK\$228 million, at the exchange rate on the signing date). The Land is situated in Jin'an District, Fuzhou, China (Land Lot No. 2020-44), with a total site area of 8,910 square metres. The Group intended to develop the Land mainly for the construction of an R&D building for self-use. Fuzhou Tianping has awarded the contract for the construction of office building(s) with gross floor area of approximately 49,200 square metres to a contractor in January 2022. As of the date of this report, the construction work is at the stage of pile foundation and is expected to be completed in February 2024. The Group has 100% interest in land use rights of the Land and the office building(s) thereon. Please refer to the announcements of the Company dated 15 September 2020 and 18 January 2022 for further details. Except for the aforesaid acquisition of land use rights of the Land in Fuzhou, China, during the Year, there was no property held by the Group for development, sale or investment for which the percentage ratios (as defined under rule 14.04(9) of the Listing Rules) exceed 5%.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, capital resources and gearing ratio

As at 31 December 2021, the Group had net current assets of HK\$1,437 million (31 December 2020: HK\$1,745 million), and the gearing ratio of the Group, calculated as total liabilities divided by total assets, was 25.6% (31 December 2020: 21.0%).

As at 31 December 2021, the Group had cash and cash equivalents of HK\$1,950 million (31 December 2020: HK\$2,173 million).

Except for lease liabilities set out in note 22 to the financial statements, the Group did not have any bank borrowings or other financing facilities as at 31 December 2021 and 31 December 2020.

The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	Year ended 31 December	
	2021	2020
	HK\$' 000	HK\$' 000
		(Restated)
Net cash generated from operating activities	660,263	1,292,059
Net cash generated from/(used in) investing activities	212,404	(257,857)
Net cash used in financing activities	(1,111,894)	(1,264,765)
Net change in cash and cash equivalents	(239,227)	(230,563)
Cash and cash equivalents at 1 January	2,172,658	2,391,486
Effect of foreign exchange rate changes	16,540	11,735
Cash and cash equivalents at 31 December	1,949,971	2,172,658

Operating activities

Net cash generated from operating activities was HK\$660 million for the year ended 31 December 2021, compared to HK\$1,292 million for the year ended 31 December 2020. The decrease in net cash generated from operating activities was primarily due to the higher increment of advertisement and R&D expenditure than that of revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Investing activities

Net cash generated from investing activities was HK\$212 million for the year ended 31 December 2021, primarily due to the Group's disposal of shares in XD Inc. The details are set out below in the section headed "Investments". Net cash used in investing activities for the year ended 31 December 2020 was HK\$258 million, primarily attributable to the acquisition of the land use rights of the Land located in Fuzhou, China, equity investments in mobile internet and gaming related companies and funds.

Financing activities

Net cash used in financing activities was HK\$1,112 million for the year ended 31 December 2021, primarily attributable to the payment of dividend, share repurchase for cancellation and purchase of shares for the Share Award Scheme made by the Company during the Year. Net cash used in financing activities for the year ended 31 December 2020 was HK\$1,265 million, primarily attributable to the payment of dividend and share repurchase.

Foreign currency risk

The Group's sales and purchases for the year ended 31 December 2021 were mostly denominated in USD and SGD. The management team closely monitors foreign exchange exposure to ensure that appropriate measures are implemented in a timely and effective manner. Historically, the Group has not incurred any significant foreign currency exchange loss in its operation.

Legal compliance

As the Group is continuously expanding its businesses worldwide, it is required to comply with the new applicable laws and regulations in different jurisdictions that are specifically relevant to the Group's business, such as laws relating to data protection, internet information security, intellectual property and gaming industry.

Protecting users' personal data is the top priority of operations, and the Group is fully aware that any misuse, loss or leakage of users' data could have a negative impact on affected users and the Group's reputation, and may even lead to potential legal action against the Group. The Group is committed to safeguarding the security of users' personal data. In this regard, the update of privacy policy and the treatment and control measures of users' personal data form part of this commitment. When collecting and processing such data, the Group explains the purpose of the acquired data and obtains the consent of users. Users also have rights to request to modify or delete their personal data. In addition, information security keeps the personal data anonymous to the maximum extent possible through effective management systems, also, employing internal processing mechanisms of data management, separation of access and restrictions on access, to ensure the highest level of protection of personal data.

For further details, please refer to the section headed "Corporate Social Responsibility Report – 5.5 Information Security and Privacy Protection" in this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

An interim dividend of HK14.5 cents per ordinary Share for the six-month period ended 30 June 2021 was paid on Monday, 6 September 2021. The Board does not recommend the payment of any second interim dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: the total amount of interim dividends and special dividends was HK103.6 cents per ordinary Share).

Share repurchase

The Group had repurchased 6,221,000 Shares during the Year, amounting to HK\$62 million. Taking into account the declared dividends of HK\$173 million for the Year, the declared dividends and payments of share repurchase totalled approximately HK\$235 million, which was 64% of the net profit for the Year (for the year ended 31 December 2020, the declared dividends and payments of share repurchase totalled HK\$1,645 million, representing 79% of net profit of the year 2020.)

Human resources

As at 31 December 2021, the Group had 3,101 employees (31 December 2020: 2,022).

The Group's total staff-related costs amounted to HK\$1,190 million for the year ended 31 December 2021 (for the year ended 31 December 2020: HK\$623 million).

Investments

As at 31 December 2021, the Group's investments was HK\$1,021 million (as at 31 December 2020: HK\$1,664 million), including interests in associates and joint ventures and other financial assets. Details of the investments of the Group are set out in notes 16 and 17 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Details of gain/(loss) on investments of the years ended 31 December 2021 and 2020 are set forth below:

	Year ended 31 December	
	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Fair value change and gain on disposal of other financial assets and dividend income		
– XD Inc.	221,478	665,127
– MFund, L.P.	(220,827)	323,313
– Griffin Gaming Partners, L.P.	39,576	12,421
– Other funds and equity investments	(6,446)	(16,943)
Impairment loss on interests in associates and joint ventures and net gains on disposal and deemed disposal of associates and joint ventures	(28,427)	(16,197)
Share of results of associates and joint ventures	(60,038)	(17,922)
Total	(54,684)	949,799

XD Inc.

As at 31 December 2021, the Group held equity securities listed in Hong Kong at fair value through profit or loss amounting to approximately HK\$400,000, which comprised the equity securities of XD Inc., the shares of which are listed on the Stock Exchange (stock code: 2400). Details of such investment are set out below:

Name of investee company	Investment costs HK\$' 000 (Restated)	Accumulated proceeds from disposal HK\$' 000	Accumulated realised gain HK\$' 000 (Note)	Accumulated	Fair value	Fair value
				unrealised gain on change in fair value HK\$' 000	as at 31 December 2020 HK\$' 000 (Restated)	as at 31 December 2021 HK\$' 000
XD Inc.	248,462	1,316,944	1,068,583	294	760,610	395

Note: The accumulated realised exchange gain of the investment was approximately HK\$5.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group first acquired approximately 6.84% equity interest of X.D. Network Inc. (心動網絡股份有限公司), a consolidated subsidiary of XD Inc., from an Independent Third Party on 25 December 2018 at a consideration of approximately HK\$248 million, and was allotted 24,648,000 shares from subsequently listed company XD Inc. by the same shareholding ratio. To optimise its investment portfolio, the Group disposed the shares in XD Inc. since July 2020, and used the proceeds as working capitals and for other investments. Please refer to the announcement of the Company dated 15 March 2021 for further details. As at 31 December 2021, the Group has disposed an aggregate of 24,638,000 shares of XD Inc., and realized an aggregated gain of approximately HK\$1,069 million. During the Year, there was no dividend received or receivable from XD Inc. As at 31 December 2021, the Group's equity interest in XD Inc. was 0.002%, being 10,000 shares. The investment cost and fair value of the Group's interests in XD Inc. comprised approximately 0.002% and 0.01% of the total assets of the Group as at 31 December 2021, respectively.

Private equity funds

As at 31 December 2021, the Group held private equity funds at fair value through profit or loss amounting to approximately HK\$341 million, mainly including MFund, L.P. and Griffin Gaming Partners, L.P., which are set out below:

Name of investee Company	Percentage of interests held by the Group	Investments cost as at 31 December 2020 HK\$' 000 (Restated)	Investments cost as at 31 December 2021 HK\$' 000	Fair value as at 31 December 2020 HK\$' 000 (Restated)	Fair value as at 31 December 2021 HK\$' 000 (Note)	Unrealised gain/(loss) on change in fair value for the Year HK\$' 000	Realised gain for the Year HK\$' 000	Dividend received/receivable during the Year HK\$' 000
MFund, L.P. ("MFund")	4.37%	23,286	23,286	407,304	167,796	(241,167)	–	20,340
Griffin Gaming Partners, L.P. ("Griffin")	5.44%	55,926	87,648	68,231	110,674	10,121	–	29,455

Note: During the Year, the unrealised exchange gain of the above investments was approximately HK\$2.3 million.

The Group first entered into a limited partnership agreement with an Independent Third Party private equity fund company in 2014. The Group, as a limited partner, undertook to subscribe for the share of assets in MFund at a sum of US\$3.0 million (equivalent to HK\$23.29 million), accounting for approximately 4.37% interests. MFund has a diversified investment portfolio, including equity investments in mobile internet industry, which is in alignment with the Group's strategic investment objectives. The investment cost and fair value of the Group's interests in MFund comprised approximately 0.52% and 3.77% of the total assets of the Group as at 31 December 2021, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group first entered into a limited partnership agreement with an Independent Third Party private equity fund company, in 2019, to subscribe to Griffin's interest. Griffin is a private equity fund focusing on the investment in gaming related companies worldwide, and its investment portfolio is in line with the Group's strategic investment objective. Subsequently in 2020, the Group entered into a subscription increase letter, pursuant to which the Group's total commitment in Griffin was US\$12.0 million (equivalent to approximately HK\$93.3 million) for an aggregate of approximately 5.44% interests in it. As of 31 December 2021, the Group has contributed US\$11.28 million (equivalent to approximately HK\$87.65 million) in Griffin. The investment cost and fair value of the Group's interests in Griffin comprised approximately 1.97% and 2.48% of the total assets of the Group as at 31 December 2021, respectively.

Save as disclosed above, there were no other material investments held by the Group as at 31 December 2021.

Material acquisitions and disposals of subsidiaries and associates and joint ventures

During the Year, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures (for the year ended 31 December 2020: nil). More details on associates and joint ventures are set out in note 16 to the financial statements.

Capital commitment

	At 31 December	
	2021	2020
	HK\$'000	HK\$'000 (Restated)
Renovations and design	28,869	3,095
Investment contracts	27,630	71,562
Acquisition of own-use office premises	16,102	–
Acquisition of land use rights	–	119,415
Purchase of equipment	1,267	1,479
Total	73,868	195,551

As at 31 December 2021, the Group had a capital commitment of HK\$74 million, which were mainly related to renovations and design expenses of subsidiaries' offices at various locations, contract payments of investments in the mobile internet and gaming related companies and funds, and balance due regarding own-use offices purchased by a subsidiary of the Group (31 December 2020: HK\$196 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Charges on assets

As at 31 December 2021, no asset of the Group was pledged as a security for bank borrowing or any other financing activities (31 December 2020: nil).

Contingent liabilities

The Group had no significant contingent liabilities as at 31 December 2021 (31 December 2020: nil).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zongjian Cai (蔡宗建), aged 44, was appointed as an executive Director of the Company on 31 October 2007 and is the chairman of the Board and chief executive officer of the Group. Mr. Cai is one of the Founders of the Group and is primarily responsible for the corporate strategic planning and overall business development of the Group. Mr. Cai also acts as a director of the Company's subsidiary, Skyunion Hong Kong Holdings Limited. Mr. Cai has approximately 22 years of experience in online game industry. He worked at FuJian NetDragon Websoft Co., Ltd.* (福建網龍計算機網絡信息技術有限公司), as a vice president from May 2000 to November 2003 and piloted the development of 17173.com. Mr. Cai also worked as the chief executive officer of 17173.com, which was acquired by Sohu.com Inc., a company listed on NASDAQ (Stock Code: SOHU), from November 2003 to January 2005 and a consultant for both Beijing Sohu New Era Information Technology Co., Ltd.* (北京搜狐新時代信息技術有限公司) and 17173.com from January 2005 to June 2005. Mr. Cai graduated from Fuzhou University (福州大學) with a college diploma in computer and accounting in June 1998.

Mr. Yuan Xu (許元), aged 47, was appointed as an executive Director of the Company on 21 August 2015 and is the Group's chief operating officer. Mr. Xu has approximately 22 years of experience in corporate management. He joined the Group in September 2007 and is primarily responsible for global operation strategies of the Group. Prior to joining the Group, Mr. Xu worked as a graduate researcher at University of California, Santa Cruz, from September 1999 to July 2004. He also worked at Nanoconduction Inc. as a project leader from September 2004 to June 2007. Mr. Xu graduated from Beijing University of Technology (北京工業大學) with a bachelor's degree in applied physics in July 1998. He also graduated from University of California, Santa Cruz, with a degree of doctor of philosophy in electrical engineering in June 2004.

Mr. Hong Zhang (張竑), aged 50, was appointed as an executive Director on 21 August 2015 and is the Group's chief technology officer. Mr. Zhang has approximately 25 years of experience in information technology industry. He joined the Group in December 2008 and is primarily responsible for the overall technology operation of the Group. Prior to joining the Group, Mr. Zhang worked at Charles Schwab as a senior staff technology from August 2000 to November 2005. He was also employed by Corporate Computer Services Inc. from November 2005 to November 2008 as a software engineer, assigned to Barclays Global Investors as an information technology consultant. Mr. Zhang graduated from Zhejiang University (浙江大學) with a bachelor's degree in engineering in June 1994, a master's degree in engineering in June 1997. He also graduated from University of California, San Francisco, with a master's degree in science in September 2000.

* For identification purpose only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Jessie Shen (沈潔菁), aged 51, was elected as an executive Director on 3 June 2016 and is the Group's chief financial officer and one of the joint company secretaries. Ms. Shen also acts as a director of IGG Taiwan Ltd., a subsidiary of the Company. Ms. Shen has approximately 25 years of experience in accounting and corporate management. She was appointed as the chief financial officer of the Group on 10 November 2014. She joined the Group in March 2009 as the senior vice president of finance and has been primarily responsible for corporate finance, legal and listing compliance matters on the Stock Exchange. She was appointed as a director of the Company's subsidiaries, IGG Capital and IGG Capital Limited in the first half of 2021, and a director of the Company's subsidiary, IGG (Hainan) Capital, in August 2021. Prior to joining the Group, she worked as an auditor at Diwan, Ernst & Young from July 1992 to August 1994, and a finance associate manager of Aurora Corporation, a company listed on the Taiwan Stock Exchange (Stock Code: 2373), from March 1995 to March 1998 and from August 2001 to January 2002. Ms. Shen also held finance and company secretary positions at Rock Mobile Group from January 2003 to March 2007. She worked at Neo Solar Power Corp., a company listed on Taiwan Stock Exchange (Stock Code: 3576), as a finance manager from December 2007 to March 2009. Ms. Shen graduated from Tunghai University with a bachelor's degree in accounting in June 1992. She also graduated from Rutgers, The State University of New Jersey with a master's degree in business administration in October 1999. Ms. Shen passed the examination of American Institute of Certified Public Accountants (AICPA), Certified Public Accountant examination in Taiwan, Certified Internal Auditor examination by the Institute of Internal Auditors, and the certification examination by Taiwan Institute of Internal Auditors.

Mr. Feng Chen (陳豐), aged 49, was elected as an executive Director on 3 June 2016 and was one of the individual investors investing in the Company prior to the listing of the Company on the Stock Exchange in 2013. In April 2014, Mr. Chen joined the Company as the senior vice president of corporate strategy and has been responsible for leading several strategic investments made by the Company in external startups and internal incubated projects. Mr. Chen also acts as a director of the Company's joint venture, Tap Media Technology Inc., as well as a director of the Company's associates, Fujian Tianzhi Internet Information Technology Co., Ltd.* (福建天志互聯信息科技股份有限公司) and Fuzhou Yunding Network Technology Co., Ltd.* (福州雲頂網絡科技有限公司). Mr. Chen also acted as a non-executive director of XD Inc., a company listed on the Stock Exchange (Stock Code: 2400), from June 2019 to December 2020. Mr. Chen was appointed as a director of the Company's subsidiaries, IGG Capital and IGG Capital Limited in the first half of 2021, and a director of the Company's subsidiary, IGG (Hainan) Capital, in August 2021. Prior to joining the Company, from July 1996 to August 2001, Mr. Chen served as a senior design engineer at Broadcom Corporation (currently known as Broadcom Ltd.), an American fabless semiconductor company, and was responsible for the development of one of the world's first DOCSIS standard compliant cable modem chipset. From May 2002 to June 2007, Mr. Chen served various positions at NetDragon Websoft Holdings Limited (網龍網絡控股有限公司), an online game developer and operator in the PRC listed on the Stock Exchange (Stock Code: 777), including the senior vice president of overseas business development. In August 2007, Mr. Chen founded Ingle Games Ltd., a publisher that aimed at publishing MMORPG games developed by Chinese game developers in the western market, and served as the chief executive officer of Ingle Games Ltd. from August 2007 to December 2010. From March 2011 to March 2014, Mr. Chen served as the senior vice president of overseas development at 91.com, a mobile internet distribution platform in the PRC. Mr. Chen graduated from University of California, Los Angeles with a Master of Science Degree in electrical engineering in 1995.

* For identification purpose only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. Yuan Chi (池元), aged 65, was re-designated as a non-executive Director on 21 August 2015. Mr. Chi is one of the Founders of the Group and also acts as a director of the Company's subsidiary, Skyunion Hong Kong Holdings Limited. Mr. Chi has approximately 24 years of experience in the information technology industry. Prior to joining the Group, Mr. Chi worked as the general manager of Fujian Window Network Information Co., Ltd.* (福建之窗網絡信息有限公司) (www.66163.com) from April 1998 to June 2007. He was the vice president of Fujian Rongji Software Co., Ltd.* (福建榕基軟件股份有限公司), a company listed on Shenzhen Stock Exchange (Stock Code: 002474), from November 2000 to September 2003. Mr. Chi also worked at Fujian NetDragon Websoft Co., Ltd.* (福建網龍計算機網絡信息技術有限公司), from October 2003 to November 2007. Mr. Chi graduated from Fuzhou University (福州大學) with a bachelor's degree in water resources and hydropower engineering in July 1982 and a master's degree in hydraulic structure in March 1990.

Independent Non-executive Directors

Dr. Horn Kee Leong (梁漢基), aged 70, was appointed as an independent non-executive Director on 16 September 2013. Dr. Leong is currently the chairman of CapitalCorp Ventures Pte. Ltd. He has been Singapore's Non-resident Ambassador to Argentina since September 2020. Dr. Leong held various management positions including as an executive director and consultant of Far East Organization Centre Pte. Ltd., the chief executive officer of Yeo Hiap Seng Ltd, the managing director of Orchard Parade Holdings Limited, a corporate finance director of Rothschild (Singapore) Limited. From 1977 to 1983, Dr. Leong held various positions at the Ministry of Finance and at the Ministry of Trade & Industry of Singapore. He was a member of Parliament of Singapore from 1984 to 2006. He was Singapore's non-resident ambassador to Mexico from September 2006 to February 2013. In addition to the above, Dr. Leong currently holds or held directorships in the following listed companies in the past three years preceding the date of this annual report:

* For identification purpose only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Period	Name of company	Position
8 January 2019 - present	ESR Funds Management (S) Limited, which is the management company of ESR-REIT listed on Singapore Stock Exchange	Independent non-executive director
28 July 2018 - present	CSC Holding Limited, listed on Singapore Stock Exchange	Independent non-executive chairman
10 June 2013 - present	SPH Reit Management Pte Ltd, which is the management company of SPH Reit listed on Singapore Stock Exchange	Chairman of the board
10 October 2013 - 7 February 2019	VIVA Industrial Trust Management Pte Ltd, which is the management company of Viva Industrial Trust listed on Singapore Stock Exchange	Chairman of the board

Dr. Leong graduated from Loughborough University with a bachelor's degree of technology in production engineering and management in July 1975. He completed distance learning and obtained a bachelor's degree of science in economics from University of London in August 1979 and he also finished part-time study and obtained a bachelor's degree of arts in Chinese Language and Literature from Beijing Normal University (北京師範大學) in March 2009. Dr. Leong graduated from the European Institute of Business Administration (INSEAD) with a master's degree of business administration in 1980 and he also finished part time study and obtained a master's degree of business research from the University of Western Australia in September 2009. He also graduated from the University of Western Australia with the degree of doctor of business administration in September 2013.

Mr. Dajian Yu (余大堅), aged 73, was appointed as an independent non-executive Director on 16 September 2013. Mr. Yu has over 21 years of experience in venture capital investment and in senior management in semiconductor, electronic, IT and pharmaceutical industries. Since 2010, he has been the vice president of Silicon Valley China Venture Management LLC and the director of several portfolio companies, Kinetic Technologies, Consensic International Inc., and Tricopian, LLC. He has also been the partner of BayHill Partners since 1999. Mr. Yu held senior management positions at several companies, including director of operations at General Parametrics Corporation from 1985 to 1996, vice president at Topology Corporation from 1996 to 1999, and vice president of Fuzhou Tianmeng from 2009 to 2010. Mr. Yu graduated from South China University of Technology (華南理工大學) (formerly known as South China Technology College* (華南工學院)) with a bachelor's degree in electrical engineering in July 1982.

* For identification purpose only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Zhao Lu (陸釗), aged 54, was appointed as an independent non-executive Director on 16 September 2013. Ms. Lu is currently the president of Fujian New Media Animation Game Associate* (福建省動漫遊戲協會新媒體產業聯盟) and also serves as the general manager to Fuzhou Lingdong Network Technology Co., Ltd.* (福州靈動網絡科技有限公司). Ms. Lu was the vice president of Amphenol AssembleTech (Ningde) Co., Ltd.* (安費諾(寧德)電子有限公司) from September 2016 to October 2018. She was the general manager of Fuzhou Lingdong Network Technology Co., Ltd.* (福州靈動網絡有限公司) from February 2009 to December 2012 and the general manager of Tian Liang Customer Service* (天亮客服) of Fujian NetDragon Websoft Co., Ltd.* (福建網龍計算機網絡信息技術有限公司), from December 2003 to February 2009. Ms. Lu graduated from Beijing University of Posts and Telecommunications (北京郵電大學) (formerly known as Beijing Institute of Posts and Telecommunications* (北京郵電學院)) with a bachelor's degree in communication in July 1989.

SENIOR MANAGEMENT

Mr. Zongjian Cai, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Jessie Shen and Mr. Feng Chen are also members of senior management. Please refer to their biography details in the subsection headed "Executive Directors" above.

* For identification purpose only

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view towards being a transparent and responsible organisation which is open and accountable to the Shareholders. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, while focusing on areas such as internal control and risk management, as well as fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company.

The Company believes that effective corporate governance is essential to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

The Company is committed to maintaining high standards of corporate governance in the best interests of Shareholders. During the year ended 31 December 2021, except for the deviation from code provision C.2.1 of the Corporate Governance Code, the Company has complied with the code provisions of the Corporate Governance Code.

Under code provision C.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. Mr. Zongjian Cai is the chairman and chief executive officer of the Group. He has extensive experience in online game industry and is responsible for the overall corporate strategic planning and business development of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual can provide strong leadership to the Group and ensures efficient execution of corporate plans and objectives. In addition, the balance of power and authorities is ensured by the composition of the Board, which comprises experienced and high caliber individuals. The Board currently comprises five executive Directors, one non-executive Director and three independent non-executive Directors, who would be able to offer advice from different perspectives. All major decisions are made by the Board members in consultation with the management team of the Company. Based on the above, the Board considers that the current arrangement has appropriate checks and balance of power in place to safeguard the interest of the Group and the Shareholders as a whole.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The overall management of the Company's operation is vested in the Board. The Board takes overall responsibilities to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems, and monitoring of the performance of the management team of the Group. The Directors have to make decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the management team of the Company. The delegated functions and work tasks are periodically reviewed by the Board.

The Board currently comprises nine Directors, consisting of five executive Directors, Mr. Zongjian Cai (the chairman of the Board), Mr. Yuan Xu, Mr. Hong Zhang, Ms. Jessie Shen and Mr. Feng Chen, one non-executive Director, Mr. Yuan Chi, and three independent non-executive Directors, Dr. Horn Kee Leong, Mr. Dajian Yu and Ms. Zhao Lu. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his/her position, and has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently.

To the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board. The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

During the year ended 31 December 2021, the Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive Directors. In addition, at least one independent non-executive Director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive Directors representing one-third of the Board and is in compliance with Rule 3.10A of the Listing Rules.

Board Diversity Policy

Pursuant to the Corporate Governance Code, the Board adopted a board diversity policy on 19 September 2013 which was subsequently updated on 29 December 2018. The diversity policy sets out the basic principles to ensure that the Board has the requisite knowledge of the Company and experience in different business and cultural conditions of different regions and markets and a variety of perspectives necessary to maintain and enhance the overall effectiveness of the Board and taking account of succession planning. All Board appointments will continue to be made on a merit basis based on the Group's business needs from time to time while taking into account the benefit of diversity. The Company will ensure that the Board has a balance of skills, experience and diversity of

CORPORATE GOVERNANCE REPORT

perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of board candidates will be based on a range of factors with reference to the Company's business needs, including but not limited to age, gender, nationality, educational background, industry and professional experience. The nomination committee of the Board will select board members in accordance with the Company's nomination policy and will also give consideration to the board diversity policy. The nomination committee will review the board diversity policy at least annually to ensure its continued effectiveness.

The Board is gender-diversified, with two female Directors. Taking into account the nature and scope of the Group's business, the nomination committee is of the opinion that the current Board has sufficient element of independence and is well-balanced in terms of gender, age, professional experience, skills and knowledge; and that the current composition and size of the Board is appropriate and adequate.

Model Code

During the year ended 31 December 2021, the Company has also adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code regarding directors' securities transactions during the year ended 31 December 2021.

Independent Non-Executive Directors

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at Board meetings and scrutinizing the Group's performance. Their views carry significant weight in the Board's decisions, in particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All independent non-executive Directors possess strong academic background, professionalism and industry expertise and management experience and have provided their professional advices to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of Shareholders can be taken into account, to protect the interests of the Company and its shareholders.

The Board has three independent non-executive Directors with one of the independent non-executive Directors, Dr. Horn Kee Leong, possessing appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules.

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. Based on the contents of such confirmations, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules during the year ended 31 December 2021.

CORPORATE GOVERNANCE REPORT

Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. The Directors have been informed of the requirement under code provision C.1.4 of the Corporate Governance Code regarding continuous professional development. According to the records provided by the Directors, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Corporate Governance Code on continuous professional development for the year ended 31 December 2021:

Name of Director	Corporate Governance/Updates on Laws, Rules and Regulations		Accounting/Financial/Management or Other Professional Skills	
	Read Materials	Attend Seminars/Briefings	Read Materials	Attend Seminars/Briefings
<i>Executive Directors</i>				
Mr. Zongjian Cai (Chairman and chief executive officer)	√	√	√	√
Mr. Yuan Xu	√	√	√	√
Mr. Hong Zhang	√	√	√	√
Ms. Jessie Shen	√	√	√	√
Mr. Feng Chen	√	√	√	√
<i>Non-executive Director</i>				
Mr. Yuan Chi	√	√	√	√
<i>Independent non-executive Directors</i>				
Dr. Horn Kee Leong	√	√	√	√
Mr. Dajian Yu	√	√	√	√
Ms. Zhao Lu	√	√	√	√

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

CORPORATE GOVERNANCE REPORT

Dividend Policy

The Board adopted the dividend policy on 29 December 2018 in order to enhance transparency of the Company and facilitate shareholders and investors to make informed investment decisions. The Board is committed to provide sustained dividends to the Shareholders, and the dividend policy sets the foundation for a prudent and disciplined dividend payment to shareholders while preserving the Company's liquidity to capture future growth opportunities. The Board will determine the level of dividends after considering the factors of the Company including (i) the results of operations, (ii) cash flows, (iii) future prospects, (iv) financial condition, (v) economic and political conditions of the business environment, (vi) share buy-back and (vii) the statutory and regulatory restrictions on the payment of dividends and other factors that the Board may consider to be relevant. The Board will review the dividend policy as appropriate to ensure its continued effectiveness from time to time. The Board will also continue to consider Shareholders' return of capital by using share buy-back as an opportunity to increase earnings per share.

Meetings

The Board meets to discuss the overall strategy as well as the operation and financial performance of the Group from time to time. Directors may participate either in person or through electronic means of communications. During the year ended 31 December 2021, 12 Board meetings and two general meetings were held.

The individual attendance record of each Director at the Board meetings and the general meetings of the Company held during the year ended 31 December 2021 is set out below:

Name of Director	Attendance/ Number of Board Meetings eligible to attend	Attendance/ Number of General Meetings eligible to attend
<i>Executive Directors</i>		
Mr. Zongjian Cai (<i>Chairman and chief executive officer</i>)	12/12	1/2*
Mr. Yuan Xu	12/12	1/2*
Mr. Hong Zhang	12/12	1/2*
Ms. Jessie Shen	12/12	2/2#
Mr. Feng Chen	12/12	1/2*
<i>Non-executive Director</i>		
Mr. Yuan Chi	12/12	2/2

CORPORATE GOVERNANCE REPORT

Name of Director	Attendance/ Number of Board Meetings eligible to attend	Attendance/ Number of General Meetings eligible to attend
<i>Independent non-executive Directors</i>		
Dr. Horn Kee Leong	12/12	2/2
Mr. Dajian Yu	12/12	2/2
Ms. Zhao Lu	12/12	2/2

* Due to conflict of interest in the resolutions proposed on the extraordinary general meeting held on 20 July 2021, the executive Directors had abstained from attending.

Ms. Jessie Shen was present at the extraordinary general meeting held on 20 July 2021 due to her responsibility as a joint company secretary of the Company. She abstained from all relevant matters related to the resolutions proposed which she had conflicted interests in.

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the management team and the company secretary of the Company at all times and may seek independent professional advice at the Company's expense. Where queries are raised by Directors, steps would be taken to respond as promptly and comprehensively as possible. All Directors have the authority to include matters in the agenda for Board meetings. Notices are given to the Directors at least 14 days before Board meetings and the procedures for Board meetings comply with the Articles of Association, as well as relevant rules and regulations.

Appointments, Re-election and Removal of Directors

Each of the executive Directors has entered into a service contract with the Company for a specific term of three years commencing from the date of the respective service contracts and will automatically continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of the non-executive Director and independent non-executive Directors has entered into a service contract with the Company for a specific term of three years commencing from the date of the respective service contracts and will automatically continue for another three years thereafter until terminated by not less than two months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

CORPORATE GOVERNANCE REPORT

The Directors are subject to retirement by rotation and re-election at an annual general meeting of the Company at least once every three years in accordance with the Articles of Association.

The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No Director 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 normal statutory obligations.

Board Committees

The Board has established (i) audit committee; (ii) remuneration committee; and (iii) nomination committee, with defined terms of reference. The terms of reference of the Board committees which explain their respective role and the authority delegated to them by the Board are available on the website of the Company at www.igg.com and the website of the Stock Exchange at www.hkexnews.hk. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expense.

Audit Committee

The Board has established an audit committee on 5 December 2008, with written terms of reference which were amended on 29 December 2018 with reference to the changes relating to Corporate Governance Code. The primary duties of the audit committee are, among other things, to review and to supervise the financial reporting process and risk management and internal control systems of the Group. The audit committee comprises all independent non-executive Directors, namely, Dr. Horn Kee Leong (chairman of the audit committee), Mr. Dajian Yu, and Ms. Zhao Lu.

The audit committee had reviewed the Group's audited annual results for the year ended 31 December 2020 and the Group's unaudited interim results for the six months ended 30 June 2021, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The audit committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors. In addition, the audit committee reviewed annually the internal control systems of the Group during the year ended 31 December 2021. During the year ended 31 December 2021, the audit committee held two meetings with the external auditors without the presence of any members of management of the Company.

During the year ended 31 December 2021, four meetings were held by the audit committee. The individual attendance record of each member of the audit committee at the meetings of the audit committee is set out below:

CORPORATE GOVERNANCE REPORT

Name of Director	Attendance/ Number of Committee Meetings eligible to attend
Dr. Horn Kee Leong	4/4
Mr. Dajian Yu	4/4
Ms. Zhao Lu	4/4

Remuneration Committee

The Board established a remuneration committee on 5 December 2008 with written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are, among other things, to evaluate the performance, and to review, approve and make recommendation to the Board on the remuneration package of the Directors and senior management. The remuneration committee consists of three members, namely, the independent non-executive Directors, Ms. Zhao Lu (chairman of the remuneration committee) and Mr. Dajian Yu, and the executive Director, Mr. Zongjian Cai.

For the year ended 31 December 2021, the remuneration committee surveyed peer companies' remuneration packages and reviewed the remuneration packages of the executive Directors and the senior management. The remuneration committee also reviewed (i) granting of share options under the Share Option Scheme; (ii) granting of awarded shares under the Share Award Scheme ; and (iii) granting of Performance-based Awarded Shares under the Performance-based Share Award Scheme and other benefit plans to key employees.

For the year ended 31 December 2021, five meetings were held by the remuneration committee. The individual attendance record of each member of the remuneration committee at the meetings of the remuneration committee is set out below:

Name of Director	Attendance/ Number of Committee Meetings eligible to attend
Ms. Zhao Lu	5/5
Mr. Zongjian Cai	4/5*
Mr. Dajian Yu	5/5

* Mr. Zongjian Cai abstained from attending one of the meetings of remuneration committee due to conflict of interest.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Board established a nomination committee on 16 September 2013 with written terms of reference in compliance with the Listing Rules. The terms of reference were amended on 29 December 2018 with reference to the changes relating to Corporate Governance Code. The primary duties of the nomination committee are, among other things, to review the nomination policy, to nominate potential candidates for directorship, to make recommendations to the Board on terms of appointment or re-appointment of directors of the Company and succession planning for directors of the Company and review the board diversity policy. Their written terms of reference are in line with the Corporate Governance Code provisions. The nomination committee consists of four members, namely, the independent non-executive Directors, Dr. Horn Kee Leong (chairman of the nomination committee), Mr. Dajian Yu, Ms. Zhao Lu and the executive Director, Mr. Zongjian Cai.

During the year ended 31 December 2021, the nomination committee reviewed, among other things, the structure, size, composition and diversity (including without limitation, age, gender, nationality and educational background, ethnicity, industrial professional experience, skills, knowledge and length of service), of the Board, and made recommendations to the Board on appointment or re-appointment of directors of the Company and succession planning for directors of the Company, the independence of independent non-executive directors and the board diversity policy.

During the year ended 31 December 2021, one meeting was held by the nomination committee. The individual attendance record of each member of the nomination committee at the meeting of the nomination committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting eligible to attend
Dr. Horn Kee Leong	1/1
Mr. Dajian Yu	1/1
Ms. Zhao Lu	1/1
Mr. Zongjian Cai	1/1

Nomination Policy

Pursuant to the Corporate Governance Code, the Board adopted a nomination policy on 29 December 2018. The nomination policy provides guidelines to the nomination committee on the selection of suitable candidates for directorship. The selection criteria include but not limited to (i) reputation for integrity, (ii) commitment in respect of available time, and (iii) creativity and professional knowledge in the business operation of the Company. Board diversity will continue to be an important aspect for the nomination committee in assessing the suitability and capability of a proposed candidate to become a Board member and in making recommendations to the Board of individuals nominated for directorships. The nomination committee will also base on the aforesaid selection criteria to make recommendations to the Board on the appointment or re-appointment of Directors and when considering succession planning for the Board. The nomination committee will review the nomination policy on an annual basis to ensure its continued effectiveness.

CORPORATE GOVERNANCE REPORT

Corporate Governance Function

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with the Listing Rules, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and the management team of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and disclosure in the corporate governance report. During the year ended 31 December 2021, the Board reviewed and determined the policy for the corporate governance of the Company.

Joint Company Secretaries

The joint company secretaries of the Company are Ms. Jessie Shen and Ms. Yin Ping Yvonne Kwong. Ms. Yin Ping Yvonne Kwong, vice president of SWCS Corporate Services Group (Hong Kong) Limited, an external service provider, has been engaged by the Company as its company secretary to act jointly with Ms. Jessie Shen. The primary contact person at the Company is Ms. Jessie Shen. Both Ms. Jessie Shen and Ms. Yin Ping Yvonne Kwong have informed the Company that they have taken no less than 15 hours of relevant professional training during the year ended 31 December 2021. Their trainings satisfied the requirements under Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Company and its subsidiaries for each financial year.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of KPMG, the Company's external auditor, on the financial statements are set out in the section headed "Independent Auditor's Report" in this annual report.

Auditor's Remuneration

The audit committee of the Company is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditors of the Company and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors. The Company engages KPMG as its external auditor. Details of the fees paid/payable to KPMG during the year ended 31 December 2021 are as follows:

	HK\$' 000
Audit services	2,328
Non-audit services	
– interim review services	1,397
– tax services	602
– due diligence consulting and other services	344
	<hr/>
Total	4,671

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risk the Company is willing to take to achieve the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board has developed its internal management systems, which include but not limited to the following processes:

- The Board receives regular updates from the management team and reviews the Group's business plan, financial results, investment strategies and business indicators to ensure that the business risks are identified and managed;

CORPORATE GOVERNANCE REPORT

- The management team supervises the Group's business performance on an on-going basis via regular meetings with respective departments and project teams, to identify potential risks and develop strategies to address the risk;
- The Group monitors a wide range of indicators, such as game statistics, player feedbacks and employee turnover rate, and responds promptly if any risk indicators arise;
- The Group works with external legal, accounting, tax, and other professional advisers at various jurisdictions to ensure that it is in compliance with relevant legislation and regulations; and
- The internal audit department performs independent review on the internal control systems and operational activities, and presents its findings to the Board on a regular basis.

However, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has included "environmental, social, and governance" risks into its risk management system. Please refer to the section headed "2.5 ESG Risk Management" in Corporate Social Responsibility Report for further details.

The Board is responsible for overseeing the management in the design, implementation and monitoring of such systems, and reviewing and maintaining appropriate and effective risk management and internal control systems. During the year ended 31 December 2021, the Board has conducted quarterly reviews of the risk management and internal control systems of the Group and considered the risk management and internal control systems of the Group have been implemented effectively and are adequate. Such reviews covered financial, compliance and operational controls. The Board has also discussed the business risk, financial risk, compliance risk, operational risk and other risks.

In addition, the Board has reviewed and considered that the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, legal and financial reporting functions are adequate and effective and have complied with the provisions of the Corporate Governance Code during the year ended 31 December 2021.

The Group attaches utmost importance to the proper handling and dissemination of inside information. Internal policies are put in place to ensure that inside information is adequately controlled. All employees are provided with learning materials and guidelines regarding the handling and dissemination of inside information on a yearly basis. IT system controls are implemented to ensure the access to sensitive data is restricted to authorised personnel only.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting and put forward proposals at Shareholders' meeting

Pursuant to Article 58 of the Articles of Association, any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 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.

Communications with Shareholders

The Board recognises the importance of maintaining clear, timely and effective communication with Shareholders of the Company and prospective investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that Shareholders of the Company and prospective investors receive accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, announcements and circulars. The Company also publishes all corporate correspondence on the Company's website www.igg.com. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategies, operations, management and plans. Members of the Board and of the various Board committees will attend the annual general meeting of the Company and answer questions raised during the meeting. Separate resolutions would be proposed at the general meeting on each substantially separate issue. The chairman of the general meetings of the Company would explain the procedures for conducting poll before putting a resolution to vote. The results of the voting by poll will be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively.

CORPORATE GOVERNANCE REPORT

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to Ms. Jessie Shen, one of the joint company secretaries of the Company via following:

Attention: Ms. Jessie Shen

Address: 19/F, Cheung Kong Center, 2 Queen's Road Central, Hong Kong

Telephone No.: (852) 3469 5132

Fax No.: (852) 3469 5000

Email: cosec@igg.com

The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

Constitutional documents

There has been no change in the Company's constitutional documents for the year ended 31 December 2021.

CORPORATE SOCIAL RESPONSIBILITY REPORT

1 ABOUT THIS REPORT

Overview

This report focuses on the disclosure of information on the economic, social and environmental performance of the Group for the period from 1 January 2021 to 31 December 2021.

Basis of Preparation

This report mainly makes reference to the Environmental, Social and Governance (“ESG”) Reporting Guide issued by the Stock Exchange. The contents of this report are determined based on a set of systematic procedures, such as identifying and prioritising key stakeholders, identifying and prioritising key ESG issues, determining the scope of corporate social responsibility report, collecting relevant materials and data, compiling the report based on relevant information, and reviewing information in the report.

Scope of the Report

Unless otherwise stated, the disclosure scope of local offices in this report is consistent with the 2021 annual report of the Company, covering the Group’s principal activities.

Explanation for Abbreviations

In order to facilitate the presentation and reading, for the purpose of this report, each of “IGG”, “the Group” and “we” refers to IGG Inc and its subsidiaries.

Data Source and Reliability Assurance

The data and information in this report are mainly from the relevant documents, reports and statistics of IGG. The Board undertakes that this report contains no false statements or misleading statements and is responsible for the truthfulness, accuracy and completeness of its contents.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Statement from the Board

As a leading global mobile game developer and operator, the Group strives to achieve long-term business development, and shoulder its corporate social responsibility at the same time. To incorporate ESG concepts into all aspects of corporate management, the Board takes overall responsibility for the Group's ESG strategy and reporting, guiding and overseeing various ESG-related issues. The Group has established an ESG working group directly led by the Board to implement effective execution, supervision and enhancement of ESG management, and periodically report to the Board.

We have formulated ESG-related policies to balance business objectives and stakeholders' interests, aiming to put sustainable development into practice. Please refer to respective chapters of this report for the policies, measures and sustainable development achievements of the Group.

In 2021, after understanding stakeholders' expectations and needs, taking into consideration business objectives and market environment, we analysed and identified ESG-related risks and material issues. IGG strives to create high-quality games for players to provide the best gaming experience, optimise game features, and improve information security and privacy protection systems. Caring for employees, we provide comprehensive training and wide array of activities, and maintain a safe and equal working environment. We actively fulfill our social responsibilities, not only actively participating in conventional events such as charity activities and donations, but also leveraging our influence in games to integrate industry expertise with corporate social responsibility. Besides, committing to protect the environment, we have set qualitative targets, such as meeting the Chinese national "Assessment Standard for Green Building" for our new office building, and promoting and implementing measures to improve energy use efficiency, lower water consumption, reduce waste generation and carbon emissions. Moving forward, the Board will periodically review the Group's strategies for ESG risks and progress on meeting targets, and continuously improve ESG-related policies.

The report was approved on 28 March 2022 upon confirmation by the Board.

Reporting Principles

This report is prepared based on the principle of materiality, quantitative, balance and consistency.

Materiality: This report covers material ESG information identified by the Group. The procedures used to assess the materiality of ESG issues are set out in "2.4 Identification of Material Issues".

Quantitative: The data collection standards, methodology, assumptions, the calculating tools and conversion factors to calculate the quantitative key performance indicators have been disclosed in relevant chapters of this report.

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

Consistency: We have clarified in relevant chapters of this report if there are any changes in statistics or key performance indicators, or other influencing factors.

CORPORATE SOCIAL RESPONSIBILITY REPORT

2 ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRUCTURE

2.1 Sustainable Development Principles

The Group is developing its sustainable development principles and objectives by considering results of stakeholder communication, industry best practices and nature of business, striving for its long-term development in areas of corporate governance, business operation, community involvement and environmental protection.

2.2 Environmental, Social and Governance Mechanism

IGG ESG Management Structure

Governing Bodies or Departments	Responsibilities
Board of Directors	<ul style="list-style-type: none"> • Be overall responsible for ESG strategy and reporting • Discuss major issues and future development regarding ESG matters • Decide and approve the Group's ESG strategies, targets, and work performance • Ensure appropriate ESG risk management and internal control systems are in place • Ensure the Group is in compliance with relevant laws and regulations, monitor and respond to latest ESG matters • Review significant ESG issues identified by stakeholders • Review the ESG risks and opportunities identified • Assess and review effectiveness of ESG working mechanism and progress made against ESG-related targets
ESG working group (led by executive Director Ms. Jessie Shen, with direct participation by person-in-charge from respective departments)	<ul style="list-style-type: none"> • Report to the Board periodically on work status • Identify and assess ESG risks and opportunities • Understand and access significant ESG issues identified by stakeholders • Incorporate ESG matters into the Group's business objectives, strategies and targets • Coordinate ESG information management and reporting • Lead the execution of ESG objectives, targets, policies and work steps
Various departments	<ul style="list-style-type: none"> • Complete work assigned by ESG working group • Collect, process and report relevant information on a regular basis • Provide timely update and feedback on ESG-related progress • Take responsibility for internal communication on ESG-related matters

CORPORATE SOCIAL RESPONSIBILITY REPORT

2.3 Stakeholder Engagement

IGG has continuously maintained good communication with stakeholders through a variety of channels to understand and take the initiative to respond to the expectations of different stakeholders. The opinions of stakeholders are important for us to actively fulfill our social responsibilities, implement good governance, and improve on our sustainable development capability.

Category of and Engagement with Stakeholders

Category of Stakeholders	Expectations	Main Communication Methods
Customers	<ul style="list-style-type: none"> • Privacy protection • Games and operation quality • Anti-cheating and fairness in games 	<ul style="list-style-type: none"> • Customer service channels such as live chat and e-mail • Interaction on social media • Offline player gatherings • Game exposition events
Government and regulatory authorities	<ul style="list-style-type: none"> • Operational compliance • Promoting regional economic development • Creating employment opportunities 	<ul style="list-style-type: none"> • Participation in relevant government meetings and cooperation projects • Paying close attention to regulation updates • Cooperation with organisations such as higher education institutions and charities
Shareholders	<ul style="list-style-type: none"> • Investment return • Information transparency 	<ul style="list-style-type: none"> • General meetings • Announcements and information disclosures • Investor relations hotline and e-mail • Company's official website
Employees	<ul style="list-style-type: none"> • Protection of employee rights • Career development • Occupational health and safety 	<ul style="list-style-type: none"> • Team building and training activities • Dialogue sessions • Internal employee websites, publications, and forums • Internal feedback collection mechanism

CORPORATE SOCIAL RESPONSIBILITY REPORT

Category of Stakeholders	Expectations	Main Communication Methods
Suppliers and business partners	<ul style="list-style-type: none"> • Long-term partnership • Fair competition 	<ul style="list-style-type: none"> • Regular communication and negotiation • Supplier management mechanism
Industry associations	<ul style="list-style-type: none"> • Fair competition • Exchange and cooperation 	<ul style="list-style-type: none"> • Participation in industry conferences and events
Non-governmental organisations and public service organisations	<ul style="list-style-type: none"> • Support community development • Leverage industry expertise to fulfill social responsibilities 	<ul style="list-style-type: none"> • Volunteering events • Charitable donations • Cooperation with commonweal organisations

2.4 Identification of Material Issues

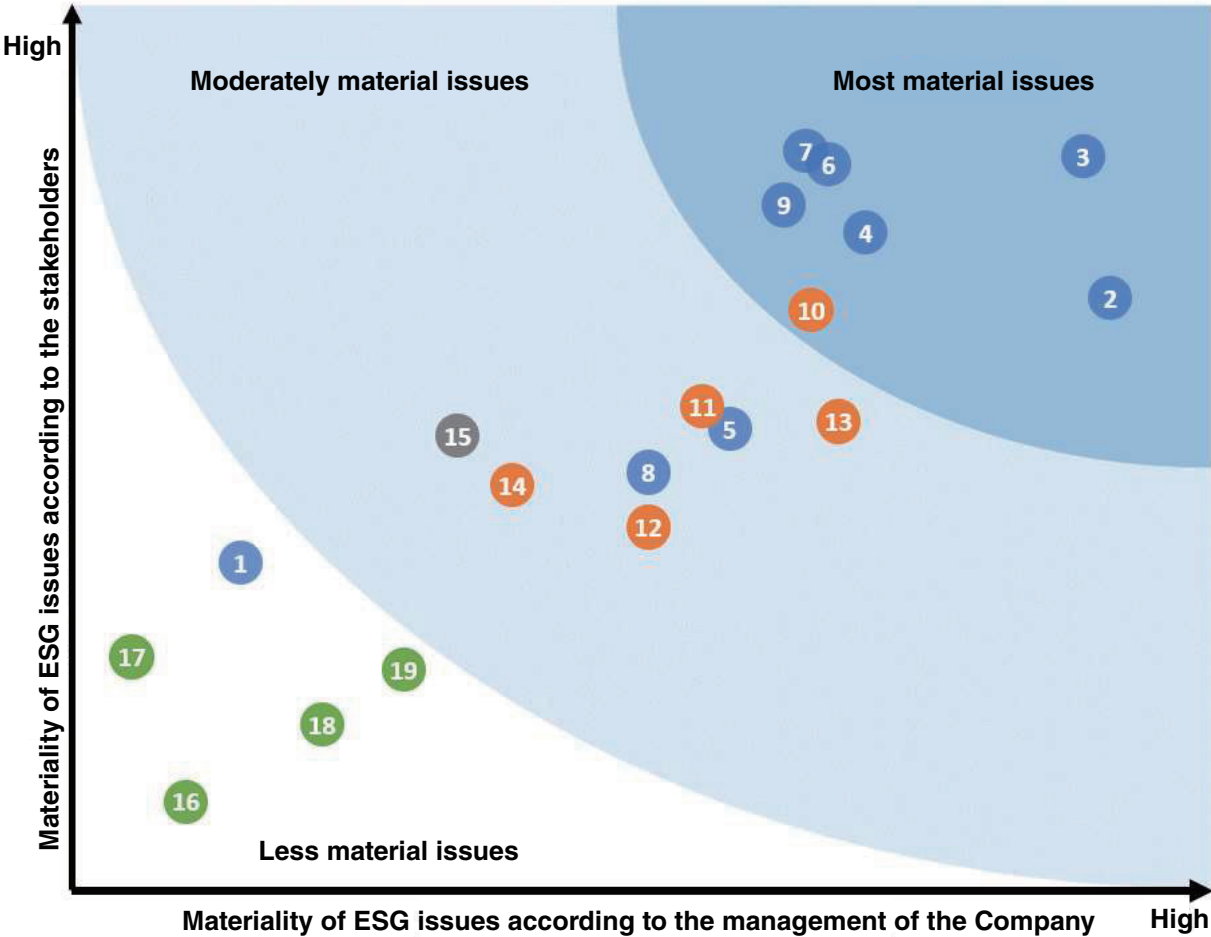
During the preparation of this report, the Group has conducted assessments on its related ESG issues to have better understanding of the expectation by stakeholders, so as to formulate the framework and contents of disclosure, in response to the requests of the stakeholders.

Our assessment on major issues comprised the following procedures:

Identification of stakeholders	Identify each of the important stakeholders and formulate specific engagement plans for them.
Engagement of stakeholders	Conduct study of stakeholders through questionnaires to understand their concerns and expectations on the Group in respect of ESG issues.
Prioritisation of material issues	Analyse and prioritise the ESG issues after quantification of the result on study of the stakeholders.
Confirmation by the management	Submit the analysis result to the management for final confirmation.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Materiality Analysis Matrix of ESG Issues



CORPORATE SOCIAL RESPONSIBILITY REPORT

List of ESG Issues

● Products and operation ● Employment ● Environment ● Community

1	Supply chain management	8	Advertising and marketing compliance	14	Labour standards
2	Business integrity	9	Intellectual property rights protection	15	Community contribution
3	Games' quality	10	Equal and diversified employment	16	Climate change
4	Operation quality	11	Training and career development	17	Energy consumption management
5	Product health and safety	12	Remuneration and benefits	18	Water management
6	Customer services and communication	13	Occupational health and safety	19	Waste management
7	Information security and privacy protection				

CORPORATE SOCIAL RESPONSIBILITY REPORT

2.5 ESG Risk Management

We have included ESG matters into our risk management system. By formulating the “Risk Management Policy”, we set up the risk management mechanism to identify potential risk events and meet business objectives. The Board is responsible for oversight of risk management matters to ensure the effectiveness of risk management and internal control systems, including determining the nature and extent of risks the Group is willing to undertake to achieve its strategic objectives, and reviewing effectiveness of internal risk monitoring systems annually. Risk management procedures include collecting risk-related data, assessing risk factors, setting risk management strategies, formulating and implementing risk management solutions, monitoring and improving relevant practices.

3 BUSINESS ETHICS

3.1 Anti-corruption

We comply with the United Nations Convention against Corruption, the Prevention of Corruption Act of Singapore, and other anti-corruption laws and regulations in countries and regions where we operate, such as the Anti-Unfair Competition Law of the People’s Republic of China (《中華人民共和國反不正當競爭法》). Internally, IGG has formulated the “Anti-Fraud Policy”, laying down prohibitions on behaviours such as corruptions, embezzlement and forgery, and establishing regulated and effective mechanisms to detect, deter, and report fraud. The Board, with the Audit Committee, oversees and strengthens corporate governance and internal control to safeguard the legitimate rights and interests of the Group and its shareholders. An anti-corruption team was set up by the Audit Committee, comprising core management members to ensure thorough and effective implementation of the Group’s anti-corruption policy, and reporting to the Audit Committee and the Board periodically.

IGG’s policy on acceptance of gifts and hospitality stipulates that, all employees should not receive any rebates, gifts or other benefits which may influence a business decision. Upon approached by IGG for quotations, suppliers need to acknowledge IGG’s anti-corruption expectations and fraud reporting channels by agreeing to “anti-commercial bribery provisions” in the contracts or replying to a “Letter to Suppliers/Partners”. Long-term suppliers are required to have annual written confirmation on the anti-corruption clauses. In addition, in situations in which gifts, entertainment, or benefits in any form have been received, regardless of the value of the gift or hospitality, the relevant employee should politely reject the gift and disclose the information to his/her department leaders. If it is not feasible to return the gifts, gifts with value higher than US\$50 or equivalent in other currencies should be managed by respective subsidiaries.

Both external parties and our employees can report unethical behaviours by a member of management or an employee from any subsidiary in the Group via channels published on the Group’s website, such as e-mail, telephone, or webpage, with anonymous options available. The anti-corruption team is responsible for investigating on reported issues. Whistleblowers may receive rewards from IGG for providing useful information or evidence. Measures such as encrypted protections and access right restriction are introduced to fraud-reporting channels to strictly protect information of whistleblowers.

CORPORATE SOCIAL RESPONSIBILITY REPORT

All directors and employees have received annual training in anti-fraud policies and requirements, which include anti-fraud regulations, the definition and forms of fraud, anti-fraud reporting channels, punishment for fraud cases, etc.

IGG has joined the Trust and Integrity Enterprise Alliance, an anti-corruption alliance established voluntarily by leading internet enterprises, and we will continue to strengthen internal controls and anti-corruption practices. There were no concluded legal cases regarding corrupt practices brought against the Group or its employees during year 2021.

3.2 Prohibition on Insider Trading

The Group has implemented the “Policy on Information Disclosure and Prevention of Insider Trading”, with the objectives to regulate information disclosure and trading of shares by responsible personnel, and protect the rights of the Group, its shareholders and other stakeholders. We have implemented information technology system controls to ensure price-sensitive data can only be assessed by authorised personnel. Before the start of blackout period or when inside information exists, the Group notifies inside information holders to refrain from buy, sell or deal in IGG’s shares. In addition, we have conducted trainings for all employees periodically to emphasize on requirements regarding information confidentiality and prohibition on insider trading.

3.3 Business Ethics Awareness

All employees participate in ethics and business conduct training and quiz annually, and confirm their awareness of relevant regulations, internal policies and code of conduct. Contents such as protection of trade secret, avoiding conflict of interest, business ethics and code of conduct, prohibition of insider dealing, anti-corruption regulations are included.

4 SUPPLIER MANAGEMENT

The Group has suppliers in areas such as app distribution platforms, marketing, game development and game content production, information technology related services, professional and consulting services, construction contracting, etc. There are more than 400 major suppliers for year 2021, with 80% located in Asia, 12% in North America, 7% in Europe and 1% in other regions.

Internal policies such as the “Procurement Management Policy” are implemented to regulate the review and selection process of suppliers. Measures such as multi-channel quotation request and voting mechanism are adopted to ensure the procurement process is open, fair and transparent. Bid invitation is required for major procurement project, engaging both internal representatives and external experts for tender evaluations, and compliance departments for overall supervision.

CORPORATE SOCIAL RESPONSIBILITY REPORT

During cooperation, we assess suppliers from time to time to ensure the quality of goods or services and achieve a win-win cooperation. Assessment criteria were set for suppliers in various categories to check for quality of products and services, with measures such as sampling, surveying, and customer rating systems. Since the Group mainly focuses on the development and operation of games, environmental risks in supply chain management are relatively low. Products and services meeting higher environment standards will be given priorities when selecting suppliers of office facilities, to create a healthy workspace for all employees.

Please refer to the chapter headed “3.1 Anti-corruption” of this report for anti-corruption policies and practices relating to suppliers. Furthermore, intellectual property protection requirements are set out in contracts with suppliers for game development related services, and details can be found in the chapter headed “5.7 Intellectual Property Protection” of this report.

5 PRODUCTS AND SERVICES

5.1 Enhance Player Experience

The Group understands that as a game company, creating high-quality gaming experience is the most important product responsibility, as well as the key to attracting and retaining players.

Starting from the research and development stage, IGG attracts talents from all over the world and now has a number of R&D teams worldwide. With over a decade of experience in the game industry, the team strives for continuous innovation and excellence in creating games of the highest quality. Apart from frequent content updates and regular addition of new game features, the Group also cooperates with other elites, such as engaging world-famous music artistes to produce exclusive game soundtracks, to create state of the art gaming experience for our gamers. The Group actively ventures into different genres to diversify its product offerings. IGG has entered into strategic cooperations with development teams across the world with exceptional products to further enrich its product portfolio for players.

While internationalising its products, the Group strives for the localisation of its operations to know our customers’ cultural background and gaming preferences, serve them better, and adopt more effective and focused marketing approaches. Local operation teams around the world work closely to roll out a full range of marketing initiatives, such as partnering with hit IP, holding joint events with museums, producing cinematic-quality video advertisements, featuring popular artists and athletes, cooperating with popular Internet influencers in live broadcasts and customised exclusive songs, developing game merchandise, launching campaigns on TV commercials, print media and outdoor advertising display. Our diverse promotional strategies also include organising international game tournaments and player meetings, and having co-marketing campaigns with globally renowned companies. “Lords Mobile” released its PC version on Steam, a leading global game distribution platform, to enhance the overall player experience by strengthening cross-platform integration.

CORPORATE SOCIAL RESPONSIBILITY REPORT

5.2 Business Continuity and Resilience

In addition to the pursuit of the best game quality and player experience, the operation and maintenance of games and server stability are also crucial. We engage leading service providers in the industry and take measures to ensure the operation quality of our servers, maintain stable lines and reduce network delay in order to create smooth game experience for global players.

As an online game company, IGG possesses industry-leading attack resistance ability. Striving to defend the legitimate interests of players and maintain fairness in games, the Group has established internal policies such as the “IGG Information Security Safeguard Measures” and has taken a number of measures to ensure network system security and stable operation at the physical, network, system and application level.

Gaming experience is affected directly by the fairness in games. Game plug-ins not only affect revenue of the Group, but also undermine the fairness of games and player experience. The operation teams look for evidence by analysing players’ behaviours through backend data, identifies and rapidly cracks down on plug-ins in order to maintain a fair gaming environment.

In addition, we have established the “Customer Center Urgent Problem Addressing Procedures” and the “Practice Guidelines for Server Maintenance and Management”. These internal policies address urgent scenarios and potential risks during game operation, such as server failure, server delay, game platform or software abnormalities and power interruption, and lay out standard procedures on the testing, communicating, handling, and recording of issues, as well as issuing maintenance notice and in-game gift rewards, with the objective to safeguard the legitimate interests of our players.

CORPORATE SOCIAL RESPONSIBILITY REPORT

5.3 Product Health and Safety

Promoting healthy gaming is the social responsibility of a mobile game company and is also an important aspect of high-quality player experience. The Group understands that our players are from different cultural and religious backgrounds, and our games operate in countries and regions with various regulations. For example, when operating in China, we have obtained licenses such as Business License of Value-Added Telecommunications Services (《增值電信業務經營許可證》) and Online Publishing Service License (《網絡出版服務許可證》) from governing bodies in accordance with regulations including the Regulation on Telecommunications of the People's Republic of China (《中華人民共和國電信條例》), the Regulation on the Administration of Publication (《出版管理條例》), the Regulation on Internet Information Service (《互聯網信息服務管理辦法》), and the Provisions on the Administration of Online Publishing Services (《網絡出版服務管理規定》). Furthermore, we strictly follow the laws of the countries and regions where we operate and requirements on healthy gaming of various app distribution platforms. Measures such as choosing appropriate game character image designs, player real name authentication, game rating, objectionable information filtering, display of "Healthy Gaming Advice" during game login are taken. As required by the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》) and the Notice of Preventing Minors from Indulging in Online Games of the People's Republic of China (《中華人民共和國關於防止未成年人沉迷網路遊戲的通知》), children protection mechanism and player age restriction are implemented accordingly.

A guide on user conduct has been included in the "Terms of Services" published on the Group's website, stipulating measures for inappropriate behaviours and user-generated content, such as removing accounts and contents. Objectionable actions include any behaviours against the laws, or using of languages that may be rude, humiliating, defamatory, vulgar, hurtful, threatening, abusive, obscene, libelous, hateful, offensive or racially, ethnically or discriminatory in nature.

CORPORATE SOCIAL RESPONSIBILITY REPORT

5.4 Player Services and Communication

Players are the most important stakeholders in the games and it is therefore crucial to collect their feedbacks. The Group continuously communicates with players by collecting their suggestions via social platforms, customer service channels and questionnaires, fosters interaction, and ensures game content updates to attract and retain players.

For mobile games, ratings at app stores are the most direct channels for players to express their opinions. We regularly monitor and collect our games' rating and user comments from various major app distribution platforms, and address players' feedback timely, so that the development and operation teams can effectively improve on products and services.

5.4.1 Customer Services

The Group is a global mobile game developer and operator with players from more than 200 countries around the world, providing mobile games in more than 20 languages. Communication with players is an integral part of game experience. Our customer service center provides industry-leading support for players 24 hours a day, 365 days a year.

We have formulated the "Customer Service Requirements" to set out detailed standard practices to ensure comprehensive, accurate and timely customer services. In 2021, our customer service addressed customer inquiries via various channels, including over 990,000 questions via in-game ticket submission, over 480,000 questions raised through live chat, and more than 400,000 e-mails. Customer complaint channel received about 800 complaints. Players' queries and complaints were related to, among other things, purchases, game features and system bugs which have been followed up and addressed according to the Group's "Customer Service Requirements".

By monitoring the real-time service data on the operating platform, we are able to meet the consulting needs of players in a timely manner. Our customer service center insists on four principles, namely timeliness, completeness, convenience and openness, and seeks to solve problems for customers within 12 or 24 hours depending on the nature of questions raised. In 2021, the average processing time for player complaints is within 24 hours. For routine and prescheduled server maintenance, players will be informed by notices published on various social media 24 to 48 hours in advance, and after the relevant maintenance is completed, in-game gifts will be provided to players. To facilitate customer communication in unexpected situations, we have developed the "Customer Service Guidelines for Emergency Scenarios" and set out protocols for incidents such as issuing urgent maintenance notice and compensation plan.

CORPORATE SOCIAL RESPONSIBILITY REPORT

The evaluation and inspection on customer service quality has been carried out by a combination of internal spot check and external customer scoring. The internal quality inspection review conducts a comprehensive quality assessment on response speed, service attitude, wordings, and correctness of answers and solutions. We continuously promote service philosophy and enhance training on handling of various issues, to ensure the best customer service. At the same time, we regularly analyse player ratings and reviews of in-game service live chat to improve game and service quality.

5.4.2 Players Activities

IGG conducted offline activities for players in a variety of ways, including international game tournaments, player gatherings and attending major game shows. While expanding the influence of games, the events promoted close connection between players and IGG's games, and established exchange communities outside the cyberspace. In 2019, "Lords Mobile" organised offline gatherings in 15 regions across the world. The pandemic has not stopped us from bringing interactive events to players worldwide, and IGG took the show online in recent two years. Several interactive live streaming events were held, which have been well-received by players. During the challenging times of lockdown, our games kept gamers company by offering them high-quality entertainment. Through social media platforms or in-game messaging system, IGG and its games sent out reminders on precautionary measures, and called on gamers worldwide to help fight the pandemic, and stay fit and happy.



Player Interactive Events

CORPORATE SOCIAL RESPONSIBILITY REPORT

5.5 Information Security and Privacy Protection

Privacy Protection

The Group ensures compliance with privacy policies and local laws and regulations in all countries and regions in which it operates. The Group closely follows the updates of laws and regulations worldwide, such as the Personal Data Protection Act 2012 (2020 Revised Edition) of Singapore, European Union's General Data Protection Regulation, California Consumer Privacy Act, Regulations on Network Protection of Children's Personal Information issued by the Cyberspace Administration of China (《兒童個人信息網絡保護規定》), Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) and Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》). In accordance with the relevant regulations, the Group has appointed a group data protection officer, a European Union representative and designated responsible personnel for data security, and is assisted by external professionals to carry out necessary internal control measures in order to ensure compliance. In addition, the Group has communicated data privacy requirements to the relevant staffs from R&D, operation, customer services, and other supporting departments via trainings and briefings.

To strengthen information protection and handle customers' data with care, IGG's "Privacy Policy" published on the website of the Group provides information regarding the collection, use and disclosure of user information, as well as the usage of information collected. Customer consent will be obtained before collection of information, and customers can request to amend or delete the information provided. Furthermore, to ensure optimal protection of data security, the Group's information management and protection mechanism includes storage encryption, using data anonymisation techniques to de-identify personal data, and adhering to internal data handling and storage protocols. Making every effort to protect users' information, we have also implemented hierarchical controls and strict authorisation matrix on data access and storage. Periodic reviews are conducted by relevant departments on access rights to database and operation support system to prevent unauthorised operation. IGG is committed to collect and store user information only within the scope declared in the "Privacy Policy" and "Terms of Service".

Information Security

Information security is protected through effective measures and management mechanism. The Group has implemented the "Information Security Safeguard Measures" to protect users' information by setting out the protocols for information security management system and emergency response plan. The measures cover server hardware, network, operating system and database, etc. The network and information security work group and emergency response team, comprising management and team members from information technology department, operation department, and customer service department, are responsible for the execution of information security events. Periodic security scanning was conducted for database and operation system to detect and repair any risk factors in a timely manner. Security risks should be re-assessed when making major system changes. Risk assessment methods can include self-check using anti-virus software, penetration testing tool, vulnerability scanning tool or engaging independent third-party reviewer.

CORPORATE SOCIAL RESPONSIBILITY REPORT

For training and awareness-raising, employees responsible for information security regularly participate in related courses and technical training to keep their technical skills up to date. Information technology department regularly organises courses or seminars of different levels and categories, so that employees with roles related to information management at all levels can be equipped with the knowledge and skills of information security emergency response. Furthermore, information technology department deliver messages about information security precautions to all employees from time to time via lectures, e-mail, intranet announcements.

5.6 Operation and Marketing Compliance

To provide better service to global players, the Group establishes R&D and operation centres in various countries and regions, and takes active efforts to ensure its operations comply with local regulations. The Group selects and engages local lawyers, tax advisers, secretarial companies and other professional consultants in respective phases from commencement of establishment to operation to provide professional services including local law and tax consulting, as well as assistance in the operation phase such as contract review, business consulting and risk management.

In respect of game advertising and marketing activities, we comply with the Code of Advertising Practice of Singapore and other relevant laws and regulations in the places where we operate, such as the Advertising Law of the People's Republic of China 《中華人民共和國廣告法》. Promotional materials and public announcements will be reviewed by relevant departments before publicising, to ensure the compliance and accuracy of information disclosed.

5.7 Intellectual Property Protection

Intellectual property protection has been a focus of the Group since its inception. Therefore, the Group has dedicated staff in charge of intellectual property management and engaged professional intellectual property agents and lawyers in different regions across the world to assist in intellectual property management, which has laid a solid foundation for protecting our rights. The Group registers and maintains its various intellectual property rights in a timely manner, taking rapid response to infringement of our intellectual property rights in the market. Besides, the Group works with databases to perform periodic search on similar trademarks registered by third parties, to minimise the risk of infringing intellectual property rights.

The concept of protecting intellectual property rights has been rooted within the Group and has been shared and promoted among all employees regularly in order to enhance the awareness of intellectual property rights protection. In addition to actively protecting our own intellectual property rights, we also respect others' intellectual property rights. The Group strictly manages and controls its operations to avoid infringement. We focus on communicating with and educating R&D departments and other relevant departments to ensure that game contents are originally created by our employees. Trainings and tests on game-related intellectual property knowledge and regulations are conducted for all employees with job functions relating to creating game and marketing contents.

CORPORATE SOCIAL RESPONSIBILITY REPORT

To prevent risks of intellectual property infringement by suppliers, contract terms on the originality of work and confidentiality clauses have been included in all agreements with service providers of game content and promotional materials. At the same time, we strictly inspect the work received to prevent infringement disputes.

5.8 Recognition and Awards

IGG was listed by “data.ai”¹ as one of the “Top 52 Publishers” for seven consecutive years since 2014, manifesting a vote of confidence in IGG from the game industry.

In 2021, IGG and its games won recognition from the industry and received several awards. IGG was awarded “National Business Award (2021) for Internet/New Media” by Singapore Business Review. Classic title “Lords Mobile” was awarded “APAC Awards 2021 – Best Game Operation” by Sensor Tower, an app analytics platform. Emerging new game “Time Princess” was named the “Best of 2021 Awards – Best Pick Up & Play” in South Korea by Google Play.

6 CARING FOR EMPLOYEES

6.1 Equal Employment

We recognise that the success of an enterprise is inseparable from its employees at all levels. We endeavour to establish a standardised, orderly, fair and effective human resource management system. Also, we strictly comply with laws, regulations and labour policies relating to human rights and labour in the places where we operate. In recruitment, evaluation, promotion, staff development, benefits and termination of labour contract, the Group’s employment handbook states that discrimination will not be tolerated and violations will lead to disciplinary actions. We prohibit discrimination by, among others, race, skin colour, nationality, language, wealth, age, gender, sexual orientation, disability, religion, political faction, member of association and marital status. We comply with the Employment (Children and Young Persons) Regulations of Singapore, as well as other laws on prevention of child labour, such as the Provisions on the Prohibition of Using Child Labour of the People’s Republic of China (《中華人民共和國禁止使用童工規定》). When hiring new employees, by means of verifying identification documents, education certificates and employment background, we strictly prohibit employing child labour and forced labour, and strive to maintain positive employee relations. In addition, IGG strictly complies with relevant laws and regulations in various countries by signing labour contracts with its employees according to law, making contributions to social insurance plan in compliance with relevant requirements and protecting employees’ privacy.

IGG actively encourages the employment of persons with disabilities and works closely with organisations such as the Federation of Disabled Persons to provide employment opportunities for the disabled. Subject to meeting the job requirements, IGG gives priority to hiring people with disabilities and provides financial assistance to them. There are several disabled employees with strong will who have accomplished outstanding work achievements at IGG.

¹ “Data.ai” is an independent data analytic platform, formerly known as “App Annie”.

CORPORATE SOCIAL RESPONSIBILITY REPORT

IGG has taken extensive measures to assess the Group’s needs for human capital and maintained a talent pipeline. The Group keeps a close watch on the latest industrial news and technological development, and plan recruitment accordingly. Besides, IGG manages its database on global talent pools, utilising various channels such as external hiring and internal referral, to ensure sufficient talent supplies that matches IGG’s strategies and needs. We conduct analysis periodically, making timely adjustment and additions to the Group’s talent structure.

In recognition of its achievement in areas such as corporate culture, talent development, and employee well-being improvement, IGG was awarded with ECHO 2022 “King’s Ark – Best Talent Employer Award” and “Preferred Employer of the Year 2021” from online recruitment platforms Boss Zhipin and Zhaopin Ltd. respectively.

As at 31 December 2021, IGG had 3,101 employees in total, representing an increase of 53% over the previous year due to expansion of R&D teams. IGG’s employees continue to be young in average age. Both employee age and gender distribution reflect the characteristics of the game industry.

Category	Headcount	Turnover rate
All employees	3,101	13%
By gender		
Female	1,006	16%
Male	2,095	12%
By age group		
Below 30 years old	1,270	14%
30-50 years old	1,814	13%
Above 50 years old	17	29%
By geographical region		
Asia	2,872	11%
North America	181	36%
Europe	37	24%
Others	11	64%
By employment type		
Non-management roles	2,576	
Management roles	525	

CORPORATE SOCIAL RESPONSIBILITY REPORT

6.2 Comprehensive Training and Career Development

We embrace the corporate spirit of “Innovators at Work, Gamers at Heart”. With love and passion for games, gifted game makers gather in IGG, incorporating the sense of mission and accomplishment into work and aiming to create long-lasting classics for gamers around the world. The Group attaches great importance to encouraging innovation, offers a creative and conducive work environment that promotes learning and growth, and strives to maximise employees’ potential and help them achieve their goals.

For employee trainings, IGG has established the “Training Management Policy”. The Group customises training courses and provides training budgets based on business goals of various departments and career development needs of employees. The human resource department prepares training targets and plans according to different levels and job functions, covering technical skills, soft skills, leadership, foreign language courses, etc. In addition to classroom training, on-the-job coaching and experience sharing session, IGG has introduced an online learning system “IGG Pocket Academy”, which provides hundreds of courses and enables staff to learn during fragmented time. In order to encourage more employees to participate in continuous learning and sharing, outstanding lecturers and active learning participants are awarded with attractive prizes. Furthermore, the efficacy of training programmes are required to be reviewed to improve on training quality.

In 2021, IGG held more than 70 internal sharing sessions, covering game design, production, art, programming, successful case studies and more. Employees from all over the world attended more than 100 courses, lectures or training sessions.

Category	Percentage trained	Average training hours
All employees	100%	14
By gender		
Female	100%	9
Male	100%	17
By employee category		
Non-management roles	100%	13
Management roles	100%	21

CORPORATE SOCIAL RESPONSIBILITY REPORT

6.3 Cross-cultural Integration

Strong global presence is the core competitiveness of IGG. Creating the best games for players all over the world requires international talents with different cultural backgrounds. Teams worldwide interact and exchange ideas frequently via cross-border learning and sharing opportunities, which break cultural barriers and enable the Group to develop international game products.

IGG has offices around the world, and many employees from diverse backgrounds are working across international borders. We provide international employees with air tickets for home visits, as well as extra holidays according to their traditions and religions. Additionally, subject to individual preference and internal policies, we offer global health insurance plan and translation assistance for doctor visits to support employees who are living outside their home countries.

Coming from diversified cultural backgrounds, staff at the same office may speak different languages. To overcome communication barriers caused by language differences, IGG has implemented bilingual versions of all electronic office systems and intranet information system, with all contents released in both English and Chinese. Meanwhile, the Group has launched an instant multilingual translation function in its internal messaging tools, enabling staff who use different languages to communicate more conveniently.

The Group organises a variety of team building activities to increase team cohesion, such as annual gatherings, game fairs and gala dinner, where staff from offices worldwide interact and bond with each other.

6.4 Compensation and Benefits

In compliance with the Employment Act 1968 of Singapore and employment regulations in other countries and regions, such as the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), we employ and provide statutory social security benefits for our staff, such as pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and contribution to housing provident funds. In addition to public holidays and statutory holidays, our staff are also entitled to paid leaves such as marriage leave, prenatal check and examination leave, maternity leave, care leave and annual leave. Under the circumstances permitted by local laws, we provide key employees with housing assistance policies to buy a home of their own so that employees can live and work in the best condition, and pursue long-term development together with IGG.

In order to continuously attract and retain talents, IGG has always been improving its staff remuneration management mechanism to create a consistent, objective, and fair incentive system for its staff around the world, including performance bonuses and equity incentive plan, etc.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Employee Communication

The Group values opinions from employees at all levels, and collects feedbacks and suggestions via several internal communication channels including online suggestion system, employee surveys, feedback sections of intranet discussion forums and employee welfare committees.

The Group's online feedback system for work-related suggestions welcomes all staff to raise suggestions on areas such as corporation development, operation and management, team building, and workflow improvement. Specific staff is assigned to collect and process the suggestions raised via this channel, and to coordinate relevant parties on the discussion and follow-up of the issue. Suggestions adopted will be implemented in a timely manner and provide updates on the results to the proposer. The reasons for unaccepted suggestions will also be replied to the proposer within seven days. Users can choose to remain anonymous when raising suggestions.

The Company holds fairness and equality as core values and is committed to protect employees' rights. Employees can file a complaint with their supervisors or human resources department regarding any unfair treatment at work. Responsible persons need to investigate and get back to the employees promptly, and ensure the privacy of relevant employees are protected. IGG has established "Girls Help Girls Union", a group for female employees to support each other in the workplace, comprising senior management members as the jury and female staff volunteers as supporting team, with the aim to provide confidential appeal channel and psychological counselling support.

For communication regarding employee services, using the online feedback system of offices in China as examples, employees can openly or anonymously submit complaints or suggestions on areas such as office environment, canteens and meals, or other facilities. Approximately 500 feedbacks were received and addressed promptly by responsible departments in 2021.

Care Undertakings for Staff

Many IGG employees are working parents. Activity center for children has been established at the Group's main operating site to provide a wide array of books, educational toys and other facilities. We have also hired professional and caring teachers. Parents can bring their children to study and play in the center during off hours and weekends. The centre regularly conducts parent-child bonding activities, and provides children with interest classes during winter and summer vacations. Depending on local circumstances, children of IGG employees will receive birthday gifts and gift allowance from the Company. In addition, the Group has established an employee welfare committee and set up a trust for key management, core employees and their immediate family members, to provide them with benefits such as medical subsidies, accident death compensation, and children's scholarship.

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6.5 Occupational Health and Safety

Complying with the Workplace Safety and Health Act 2006 of Singapore and occupational health and safety regulations in other countries and regions where it operates, IGG is committed to providing its staff with a safe, healthy and comfortable working premise. At various major operating sites of the Group, subject to availability, staff not only can enjoy creative office spaces, but also have free access to ancillary facilities such as swimming pool, gymnasium, cinema, library, and automatic massage chairs.

Office facilities of the Group are equipped with security and fire safety systems to strictly protect workplace safety. To regulate security management at major office premises, internal policies such as the “Fire Emergency Plan”, “Emergency Plan for Flood Prevention”, “Entrance/Exit Policy for Visitors, Assets and Vehicles” stipulate responsible departments, task allocation, response protocols for respective roles and areas for attention. Besides, we organise fire drill annually to enable all staff to familiarise with fire safety knowledge, evacuation routes and use of fire extinguisher. Examination and assessment on fire facilities are conducted monthly to eradicate all fire hazards in the workplace. Furthermore, anti-terrorism and anti-attack drills were held at some operating sites for the emergency response team and security team to practice on the anti-terrorism procedures in simulated situations, in order to clarify roles and responsibilities, and improve emergency response ability.

At offices with staff canteens, internal policies such as the “Staff Canteen Management and Penalty Policy”, “Staff Canteen Hygiene Management Policy”, and “Policy for Procurement and Acceptance of Food Items” are implemented to ensure food safety, setting out standards for hygiene requirements, food safety, food procurement, and code of conduct for canteen staff.

We strive to promote health and wellbeing among employees. The Group’s main operating sites have in-house clinic and doctors to offer medical assistance during work hours and health counselling services. We organise staff to receive periodic physical examination, and invite doctors of various specialties to conduct health knowledge lectures and free consultations, covering topics such as spine health, pediatrics, and mental wellness. In addition to the statutory basic health insurance, we also purchase commercial medical insurance and accident insurance subject to local circumstances, individual preferences and needs. In order to reduce health risks caused by sedentary work, IGG has purchased ergonomic office chairs for all staff, installed automatic massage chairs, or arranged on-site massaging sections on major operating sites.

IGG also cares for employees’ mental wellbeing. We collaborated with external professional organisations to set up a psychology consultation platform to provide professional help for staff and their family members via mental health knowledge sharing, online consultation service, and 7*24 hotline support.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Since 2020, the novel coronavirus epidemic became a common concern of the international community. Putting employees' health and safety first, the Group rapidly formulated an emergency response plan and control measures. Using its emergency notification system, the Group sent out notices and important guidelines on epidemic control via multiple channels, and followed up on all staff's health status, travel history and potentially infectious contacts through an online survey system in order to provide support to employees who need assistance. To avoid infections caused by interactions, employees made flexible work arrangement and worked from home, ensuring not just uninterrupted operation of IGG's global business, but more importantly the protection of employees' health. For employees working from home, IGG constantly care for their needs and offer timely support. Depending on the circumstances of respective subsidiaries, employees may receive subsidies to improve their work environment at home, such as purchasing work equipment. Besides, we held online gatherings regularly, engaging team members with activities such as games, for them to bond with each other and alleviate stress during lockdown. After meeting local regulatory requirements, employees can return to office in subsidiaries located in regions where the outbreak is effectively controlled. The Group adopted detailed precautionary measures to safeguard our workplace from the outbreak. Work area and facilities underwent thorough sanitisation, ventilation, and sanitation inspection for multiple times a day, and all employees, service staff and security personnel were provided with personal infection protective products. Measures such as sitting separately during meals, using video conference, going paperless, reducing travelling, and tightening visitor and vehicle controls, were also part of the steps to create a safe workplace for all employees. We have also arranged on-site nucleic acid testing and vaccination sessions, and prepared self-testing kits and other essential supplies. The epidemic has not caused any material and adverse impacts to the Group's operation so far and its business operation has remained normal.

For the past three years (including the reporting year), the Group has no work-related fatalities or lost days due to work injury.



Comfortable Office Environment

CORPORATE SOCIAL RESPONSIBILITY REPORT

6.6 Staff Activities

Arts and Sports Activity Clubs

IGG has set up several staff clubs, including sports, dance, electronic sports, volunteering, art and culture, and book club, and provided funding for club activities. The clubs held more than 700 activities in 2021, providing employees with a wide array of activities outside working hours.

Holiday Activities and Travel

IGG always brings a pleasant surprise to its employees with creative events. On traditional festivals, holidays, and staff birthdays, IGG will prepare gifts, parties, food, games and more. In addition to holiday activities, subject to meeting local pandemic control requirements, IGG also organises annual retreat for all employees to ease work stress while enhancing team cohesion.

In regions affected by the pandemic, IGG takes the activities online. Using video conference to connect from home, employees take part in regular online gatherings and fun-filled events such as games and lucky draws, to interact with other team members and alleviate stress from the lockdown. On holidays and employees' birthdays, employees will receive gifts from IGG via post, including vouchers, presents, and birthday cakes, and celebrate the joyous occasion with their families.



Staff Retreat and Holiday Events

CORPORATE SOCIAL RESPONSIBILITY REPORT

7 COMMUNITY CONTRIBUTION

As a leading game company, IGG has been actively fulfilling its social responsibilities, participating in local community events in the places where it operates. We not only incorporate conventional ways such as charitable donations and volunteer activities in our community engagement efforts, but also leverage our industry expertise to give back to the society, integrating information and internet technology with corporate social responsibility.

In 2021, the Group made charitable donations of over HK\$12 million.

7.1 Assisting in Future Development in the Gaming Industry

Cultivating talents with passion and expertise for the gaming industry and providing them with career opportunities are an investment for IGG's and the industry's future. Through a variety of projects around the world, IGG cooperates with tertiary institutions to provide young people who are interested in games with opportunities to understand and enter the game industry, broaden their career development prospects, and grow a talent pool for the Group. Since 2018, more than 400 interns have completed their training programmes with IGG.

IGG worked with universities, serving as the schools' technical training base and sharing its industry insights with college students. The Group developed an internship programme for aspiring game designers and game artists. Students can earn professional training credits to fulfil respective course requirements at tertiary institutions in Singapore by attending the internship programmes at IGG. We donated "IGG Scholarship" to five tertiary institutions in Singapore (including Singapore Institute of Technology, Temasek Polytechnic, Singapore Polytechnic, Republic Polytechnic and Nanyang Polytechnic) for students from game-related majors with outstanding academic achievement. In 2021, we launched the "game trainee" program in China, to provide students with enthusiasm in gaming careers a platform to obtain hands-on experience and exchange ideas via online courses, skills contest, and on-the-job training.

7.2 Charity Activities

Thanks to the support from players worldwide, IGG has become a global company. IGG sees it as our duty to give back to the world in the time of need. In July 2021, Henan Province in China was struck by unprecedented floods. IGG immediately responded to support the rehabilitation effort by contributing funds to Henan Charity General Federation to rebuild schools, and donating feminine care products to affected area via Shanghai Rende Foundation. During the coronavirus pandemic, we actively sent help to front-line medical professionals, community workers, and people most at risk. Since 2020, IGG has donated nearly three million pieces of medical supplies to about a hundred of medical institutions, government bodies, and charitable organisations in countries including China, the United States, Italy, South Korea, Spain, Japan, Canada and Indonesia.

CORPORATE SOCIAL RESPONSIBILITY REPORT

By introducing charitable initiatives into our games, we can spread the word to advocate awareness for social causes. As a game well-liked by female gamers, “Time Princess” has a keen interest in health promotion and education for women. Partnering with Days for Girls International and Shanghai Rende Foundation, “Time Princess” organised in-game events to campaign for welfare of disadvantaged women, and donated to female students in Africa and Guizhou, China to promote health education and provide feminine care products. To care for underprivileged children, for three years, “Lords Mobile” continuously works with the Make-A-Wish Foundation, and has granted wishes of nearly 100 children from 10 countries with critical illnesses through fund-raising projects such as charitable sales of in-game packs, charity events, and promotion partnerships. With a philanthropic collaboration with China Social Welfare Foundation, “Lords Mobile” rolled out charitable in-game pack “Free School Lunch” for three times in 2021, and donated funds to cover one year’s lunch expense for more than 600 students from three primary schools in Yunnan and Guangxi, China. In the area of cultural heritage protection, “Time Princess” worked with the Kunsthistorisches Museum in Vienna, Austria and designed an event calling for caring of cultural objects, encouraging players to support protection and restoration of classic paintings via participating in the events. In the area of environmental protection, “Lords Mobile” organised “Earth Day” event and called for players to play a part by practicing green lifestyle with lower carbon footprint and contribute to sustainable development. Donations from “Earth Day” item pack were for the reforestation project to plant and protect 50,000 trees in Ethiopia by WeForest, a non-governmental organisation.

In 2021, IGG keeps a keen interest and participates in charitable programmes worldwide. To support education in China, we have donated to “Hospital Classroom” project by Fujian Anti-poverty Charity Association for three consecutive years, to offer learning and leisure facilities, home visits, and medical knowledge sharing for children with leukemia and their families. We have also donated 100 new computers and 150 sets of desks and chairs to five schools in Fujian, and provided financial aid to several disadvantaged students to receive education. “Match Sticks Organisation” by Changning Youth Development Centre in Shanghai is another philanthropic initiative which IGG has made donation to, with the objective to provide teaching and learning resources for village school teachers and principals. In Canada, we donated to “Building Bridges with Music” project by Social Diversity for Children Foundation to use music to foster connection and social skills for children with special needs. In addition, IGG made donations to a range of other philanthropic organisations dedicating to areas such as welfare for the disabled and senior citizens, protection of traditional cultures, and assistance for underprivileged university students.

IGG’s staff initiated a volunteering community and held regular events. In 2021, IGG’s staff organised a number of charity sales of second-hand items or local produces to raise funds for the less fortunate.

CORPORATE SOCIAL RESPONSIBILITY REPORT



“Lords Mobile” granting wishes for children in need



“Time Princess” empowering underprivileged girls

CORPORATE SOCIAL RESPONSIBILITY REPORT

8 GREEN OPERATION

8.1 Environmental Targets

IGG gradually established its own environmental management and information collection procedures and disclosed to various stakeholders in this report. The Board took a responsible attitude towards the environmental impact of the Group and incorporated the environmental factors such as climate change into the risk management and cost control system by monitoring the environmental data. Therefore, IGG has established a unified environment management system in the locations where it operates and is committed to improving its environment management further. We have also introduced to employees the concept of energy saving and environmental protection, encouraging every employee to adopt a sustainable lifestyle and spread the concept of sustainability to their families and communities.

In 2021, due to significant changes in headcount and relocation of several major offices, as well as the influence of the COVID-19 pandemic such as remote working arrangement, the historical data can serve as reference only to a very small extent. Hence, the Board has approved the following qualitative targets in saving energy and water, and reducing waste and emissions. The ESG working group will monitor progress made against the targets and report to the Board periodically.

1. The self-use office building in Fuzhou, China meets the Chinese national “Assessment Standard for Green Building”;
2. Promote and implement relevant energy conservation measures, and conduct periodical review, with the aim to achieve the goal of improving energy use efficiency, reducing waste generation and carbon emissions.

8.2 Climate Change Risks

We have incorporated climate change in the risk assessment procedure. When assessing climate risks, we have considered physical risks such as power interruption, closure of office facilities, fatalities and casualties from accidents caused by natural disasters such as typhoons and floods, as well as transition risks such as new regulations by respective governments responding to climate change. The overall climate change risks of IGG is assessed to be low.

Regarding extreme weather events such as typhoons and floods, we have implemented policies and conducted safety trainings to respond to the events. Please refer to “6.5 Occupational Health and Safety” of this report for details. Besides, we pay close attention in regulatory changes related to climate change to ensure compliance of the Group’s operation.

CORPORATE SOCIAL RESPONSIBILITY REPORT

8.3 Energy Consumption and Greenhouse Gas Emissions

As a game company which is mainly engaged in the business of game software development and operation, gas emission is not a significant issue, and relevant laws and regulations do not have a significant impact on the Group. The environmental impacts of IGG is mainly attributable to the energy consumption associated with maintaining its equipment's operation and the associated indirect greenhouse gas ("GHG") emissions. To achieve qualitative targets to lower energy consumption and GHG emissions, the Group will strengthen measures such as increase the frequency of data collection and analysis, follow up on irregular indicators, enhance on promoting environmental awareness, and improve management of lighting and air conditioning facilities.

Energy Consumption

Type of Energy	Unit	2021
Energy consumption	kWh	4,679,868
Energy use intensity ²	kWh per capita	1,516
Gasoline ³	liter	3,345
Grid electricity consumed by office ⁴	kWh	4,649,068

GHG Emissions

Type of GHG Emissions	Unit ⁵	2021
Scope I GHG emissions ⁶	tonne, CO ₂ equivalent	9
Scope II GHG emissions ⁷	tonne, CO ₂ equivalent	2,485
Total GHG emissions	tonne, CO ₂ equivalent	2,494
GHG emissions intensity	tonne, CO ₂ equivalent per capita	0.81

² Energy use intensity increased in 2021 due to higher electricity consumption per capita as a result of addition of new offices, and upward adjustment in conversion factor to calculate energy consumption of vehicles.

³ The scope of statistics for gasoline consumption covers vehicles owned by IGG and all entities controlled by it. In 2021, gasoline consumption increased due to higher number and usage of vehicles.

⁴ The scope of statistics for grid electricity consumed by office includes IGG and entities controlled by it which have independent statistic collection mechanism for electricity consumed, covering more than 99% of employees of the Group. Due to increase in headcount and addition of new offices, electricity consumption increased in 2021.

⁵ Carbon dioxide equivalent is used as a measure of the comparison of greenhouse gas emissions. The calculations of carbon dioxide equivalent have included GHG emissions from sources, including carbon dioxide, methane and nitrous oxide etc.

⁶ According to the ISO 14064 GHG inventory standards, Scope I GHG emissions refers to direct greenhouse gas emissions, particularly direct emission sources owned and controlled by the organisation, such as emissions from its own vehicles. In 2021, Scope I GHG emissions increased due to higher gasoline consumption.

⁷ According to the ISO 14064 GHG inventory standards, Scope II GHG emissions refers to indirect energy emission sources, such as indirect greenhouse gas emissions caused by purchased electricity. In 2021, Scope II GHG emissions increased due to higher electricity consumption as a result of increased headcount and addition of offices, as well as adjusted emission factor used for electricity in the calculation of CO₂ equivalent for Mainland China.

CORPORATE SOCIAL RESPONSIBILITY REPORT

8.4 Waste and Water Resource Management

As an information technology company, the Group's major products and services are sold online and do not involve packaging materials. IGG identified the two major sources of waste: scrapped IT equipment and printing consumables. Therefore, IGG has adopted corresponding measures to reduce resource consumption, encourage recycling and reduce waste generation.

For scrapped IT equipment, including hosts, monitors and other equipment, IGG will dispose of it through three major methods based on the condition of the equipment. Firstly, computers unable to perform high-intensity computing but still meet daily usage needs are donated to local schools to support information technology education in local communities. Secondly, employees in need may apply for the equipment for family use. Lastly, for dysfunctional equipment, IGG will hire an electronic equipment recycling agency to recycle it. By making rational use of such electronic equipment recycled through these three major ways, we provide aid to those in need and the equipment can also be reused, thereby reducing environmental pollution caused by electronic waste. For printing consumables, IGG has engaged a printer maintenance service provider to handle maintenance and repair of printers at several offices to avoid the increased use of printing consumables due to aging and failure of printers. Going paperless in all work processes is encouraged in IGG, with aims to reduce the use of paper and printing consumable.

The Group's water comes from municipal sources, and there is no issue in sourcing water. To achieve qualitative targets to lower water consumption, we will strengthen measures such as increase the frequency of data collection and analysis, follow up on irregular indicators, enhance on promoting water-saving awareness, and improve management and maintenance of water facilities.

Generation of Hazardous and Non-Hazardous Waste

Type of Waste Produced	Unit	2021
Discarded modulator tube	piece	755
Discarded toner and ink cartridge	piece	243
Discarded battery	piece	1,066
Scrapped IT equipment – host and monitor	piece	228
Scrapped IT equipment – others	piece	108
Domestic waste ⁸	liter	2,653,000
Printer paper	kg	3,791

Water Consumption

Type of Water Consumption	Unit	2021
Office water consumption ⁹	tonne	18,053

⁸ Density: 876 liters per capita. Domestic waste was handled by property management or waste clearance service providers of respective offices, and detailed clearance records are not available. Estimated volume of domestic waste was calculated by considering the approximate average amount produced daily, number of working days, and estimated volume of waste at the time of clearing from office premise before compression.

⁹ Density: 8.67 tonnes per capita. The scope of statistics for office water consumption includes IGG and entities controlled by it which have independent statistic collection mechanism for water consumed, covering more than 67% of employees of the Group. Due to addition of new offices, water consumption increased in 2021.

CORPORATE SOCIAL RESPONSIBILITY REPORT

APPENDIX KPI INDEX OF ESG GUIDE OF THE STOCK EXCHANGE

This KPI index provides a description of compliance with each of the “comply or explain” indicators of the ESG Reporting Guide by the Group during the reporting period.

Issue	ESG Reporting Guide Requirements	Report Chapter	Remarks
A. Environmental			
A1 Emissions	General disclosure Key performance indicators A1.2, A1.3, A1.4, A1.5, A1.6	Green operation	Since the Group is principally engaged in the development and operation of games, and gas emission and hazardous waste are not significant issues of business activities, A1.1 and density under A1.3 are not included.
A2 Use of resources	General disclosure Key performance indicators A2.1, A2.2, A2.3, A2.4	Green operation	Since major products and services provided by the Group are sold online and do not involve packaging materials, A2.5 is not included.
A3 The environment and natural resources	General disclosure	N/A	The Group is principally engaged in the development and operation of games without any significant impact on the environment and natural resources.
A4 Climate change	General disclosure Key performance indicator A4.1	Green operation – 8.2	

CORPORATE SOCIAL RESPONSIBILITY REPORT

Issue	ESG Reporting Guide Requirements	Report Chapter	Remarks
B. Social			
B1 Employment	General disclosure Key performance indicators B1.1, B1.2	Caring for employees – 6.1	
B2 Health and safety	General disclosure Key performance indicators B2.1, B2.2, B2.3	Caring for employees – 6.5	
B3 Development and training	General disclosure Key performance indicators B3.1, B3.2	Caring for employees – 6.2	
B4 Labour standards	General disclosure Key performance indicators B4.1, B4.2	Caring for employees	During the reporting period, the laws and regulations regarding the prevention of child labour and compulsory labour were complied with.
B5 Supply chain management	General disclosure Key performance indicators B5.1, B5.2, B5.3, B5.4	Supplier management	
B6 Product responsibility	General disclosure Key performance indicators B6.2, B6.3, B6.4, B6.5	Products and services – 5.3, 5.4, 5.5, 5.6, 5.7	The products and services provided by the Group do not include items which may lead to recall due to health and safety reasons. Hence B6.1 and recall procedures under B6.4 are not included.
B7 Anti-corruption	General disclosure Key performance indicators B7.1, B7.2, B7.3	Business ethics – 3.1	
B8 Community investment	General disclosure Key performance indicators B8.1, B8.2	Community contribution	

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Group is a renowned global mobile game developer and operator with headquarters in Singapore and local offices in the United States, China, Canada, Japan, South Korea, Thailand, Indonesia, the Philippines, Brazil, Turkey, Italy and Spain. There has been no significant change in the Group's principal activities during the Year.

SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2021 are set out in note 15 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five years ended 31 December 2021 is set out on pages 208 and 209 of the annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 are set out in the audited consolidated statement of comprehensive income in this annual report.

On 4 March 2021, the Board resolved to declare a second interim dividend and a special dividend, each of HK26.7 cents per ordinary Share for the year ended 31 December 2020, amounting to approximately HK\$641 million. Such dividends have been paid on 7 April 2021.

On 5 August 2021, the Board resolved to declare an interim dividend of HK\$14.5 cents per ordinary Share for the six months ended 30 June 2021, amounting to approximately HK\$173 million. Such dividend has been paid on 6 September 2021.

The Board does not recommend the payment of any second interim dividend for the year ended 31 December 2021.

DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2022 annual general meeting

The annual general meeting of the Company is scheduled on Wednesday, 25 May 2022. The register of members of the Company will be closed from Thursday, 19 May 2022 to Wednesday, 25 May 2022, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the annual general meeting, all transfers of Shares, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 18 May 2022.

RESERVES

Details of movements in reserves of the Group and the Company for the Year are set out in the consolidated statement of changes in equity and note 27 to the consolidated financial statement, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the Companies Act, Chapter 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK\$3,397.9 million. The amount represents the Company's accumulated surplus in aggregate as at 31 December 2021, which may be distributed provided that immediately following the date on which dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

CHARITABLE DONATIONS

Details of the charitable donations by the Group for the Year are set out in the section headed "Corporate Social Responsibility Report – 7.2 Charity Activities".

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group for the Year are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Year are set out in note 27 to the consolidated financial statements.

DIRECTORS

The Directors during the Year and as of the date of this annual report were:

Executive Directors

Mr. Zongjian Cai (*Chairman and chief executive officer*)

Mr. Yuan Xu

Mr. Hong Zhang

Ms. Jessie Shen

Mr. Feng Chen

Non-executive Director

Mr. Yuan Chi

Independent Non-executive Directors

Dr. Horn Kee Leong

Mr. Dajian Yu

Ms. Zhao Lu

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.

In accordance with Article 84 of the Articles of Association, Mr. Hong Zhang, Ms. Jessie Shen, Mr. Feng Chen will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. No Director proposed for re-election at the forthcoming annual general meeting has an unexpired 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 20 to 24 of this annual report.

DIRECTORS' REPORT

DISCLOSURE OF INTEREST AS PER REGISTERS KEPT PURSUANT TO THE SFO

(a) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Listing Rules were as follows:

Long positions in shares of the Company and its associated corporation

Interests in	Name	Capacity/Nature of interest	Number of Shares/ underlying shares held	Approximate percentage of shareholding
1. The Company	Mr. Zongjian Cai (Notes 1,2)	Beneficial owner, interest in a controlled corporation, spouse interest, interests held jointly with another person	316,381,653	26.51%
	Mr. Yuan Xu (Notes 1,2)	Beneficial owner, interests held jointly with another person	316,381,653	26.51%
	Mr. Hong Zhang (Notes 1,2)	Beneficial owner, interests held jointly with another person	316,381,653	26.51%
	Ms. Jessie Shen (Note 3)	Beneficial owner	9,775,259	0.82%
	Mr. Feng Chen (Note 4)	Beneficial owner	16,896,414	1.42%
	Mr. Yuan Chi (Note 5)	Beneficial owner, interest in a controlled corporation	154,002,000	12.90%
	Dr. Horn Kee Leong (Note 6)	Beneficial owner	132,000	0.01%
	Mr. Dajian Yu (Note 7)	Beneficial owner	810,188	0.07%
	Ms. Zhao Lu (Note 8)	Beneficial owner	249,000	0.02%
	2. Associated corporation: UGen World Inc.	Mr. Yuan Xu (Note 9)	Beneficial owner	384,978
Mr. Hong Zhang (Note 10)		Beneficial owner	230,986	2.80%

DIRECTORS' REPORT

Notes:

- (1) Pursuant to an act in concert agreement dated 16 September 2013, as amended by an amendment dated 18 October 2016, Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Kai Chen (spouse of Mr. Zongjian Cai) and Mr. Zhixiang Chen agreed that they would act in concert with each other with respect to material matters relating to the Company's operation. Each of Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Kai Chen and Mr. Zhixiang Chen is therefore deemed to be interested in the Shares held by one another under the SFO.
- (2) Mr. Zongjian Cai was interested in all the issued share capital of Duke Online and he is the sole director of Duke Online. Therefore, he was deemed to be interested in 193,752,027 Shares held by Duke Online under the SFO. Mr. Zongjian Cai was deemed to be interested in all Shares held by Ms. Kai Chen under the SFO. On 6 May 2021, 746,000 awarded shares were granted to Mr. Zongjian Cai under the Share Award Scheme. On 21 May 2021, 38,444,306 Performance-based Awarded Shares were awarded to Mr. Zongjian Cai under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. Upon the full vest of such awarded shares and Performance-based Awarded Shares, Mr. Zongjian Cai will be beneficially interested in 39,190,306 Shares.

Mr. Yuan Xu was the beneficial owner of 22,494,917 Shares. On 23 March 2015, he was also granted 613,000 share options under the Share Option Scheme. On 6 May 2021, 579,000 awarded shares were granted to Mr. Yuan Xu under the Share Award Scheme. On 21 May 2021, 7,163,535 Performance-based Awarded Shares were awarded to Mr. Yuan Xu under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. Upon the full exercise and vest of such share options, awarded shares and Performance-based Awarded Shares, Mr. Yuan Xu will be beneficially interested in 8,355,535 Shares.

Mr. Hong Zhang was the beneficial owner of 8,166,835 Shares, and was granted 9,200,000 share options under the Pre-IPO Share Option Scheme, among which 6,200,000 share options have been exercised. On 23 March 2015, Mr. Hong Zhang was also granted 605,000 share options under the Share Option Scheme. On 6 May 2021, 493,000 awarded shares were granted to Mr. Hong Zhang under the Share Award Scheme. On 21 May 2021, 6,447,181 Performance-based Awarded Shares were awarded to Mr. Hong Zhang under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. Upon the full exercise and vest of such share options, awarded shares and Performance-based Awarded Shares, Mr. Hong Zhang will be beneficially interested in 10,545,181 Shares.

Ms. Kai Chen was the beneficial owner of 17,847,952 Shares. On 19 August 2021, 28,900 awarded shares were granted to Ms. Kai Chen under the Share Award Scheme. Upon the full vest of such awarded shares, Ms. Kai Chen will be beneficially interested in 28,900 Shares. She was also deemed to be interested in all Shares held by Mr. Zongjian Cai under the SFO.

Mr. Zhixiang Chen was the beneficial owner of 16,000,000 Shares.

- (3) Ms. Jessie Shen was the beneficial owner of 3,470,000 Shares. On 21 November 2014 and 23 March 2015, 367,000 share options and 141,000 share options were granted to Ms. Jessie Shen under the Share Option Scheme, respectively. On 6 May 2021, 544,000 awarded shares were granted to Ms. Jessie Shen under the Share Award Scheme. On 21 May 2021, 5,253,259 Performance-based Awarded Shares were awarded to Ms. Jessie Shen under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. Upon the full exercise and vest of such share options, awarded shares and the Performance-based Awarded Shares, Ms. Jessie Shen will be beneficially interested in 6,305,259 Shares.
- (4) Mr. Feng Chen was the beneficial owner of 13,340,000 Shares. On 23 March 2015, 300,000 share options were granted to Mr. Feng Chen under the Share Option Scheme. On 6 May 2021, 391,000 awarded shares were granted to Mr. Feng Chen under the Share Award Scheme. On 21 May 2021, 2,865,414 Performance-based Awarded Shares were awarded to Mr. Feng Chen under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. Upon the full exercise and vest of such share options, awarded shares and the Performance-based Awarded Shares, Mr. Feng Chen will be beneficially interested in 3,556,414 Shares.

DIRECTORS' REPORT

- (5) Mr. Yuan Chi was the beneficial owner of 486,000 Shares. Mr. Yuan Chi was also interested in all the issued share capital of Edmond Online and he is one of the directors of Edmond Online. Therefore, he was deemed to be interested in 153,434,000 Shares held by Edmond Online under the SFO. On 6 May 2021, 82,000 awarded shares were granted to Mr. Yuan Chi under the Share Award Scheme. Upon the full vest of such awarded shares, Mr. Yuan Chi will be beneficially interested in 82,000 Shares.
- (6) Dr. Horn Kee Leong was the beneficial owner of 60,000 Shares. On 6 May 2021, 72,000 awarded shares were granted to Dr. Horn Kee Leong under the Share Award Scheme. Upon the full vest of such awarded shares, Dr. Horn Kee Leong will be beneficially interested in 72,000 Shares.
- (7) Mr. Dajian Yu was the beneficial owner of 621,188 Shares. On 23 March 2015, Mr. Dajian Yu was granted 250,000 share options under the Share Option Scheme, among which 100,000 share options have been exercised. On 6 May 2021, 39,000 awarded shares were granted to Mr. Dajian Yu under the Share Award Scheme. Upon the full exercise and vest of such share options and awarded shares, Mr. Dajian Yu will be beneficially interested in 189,000 Shares.
- (8) Ms. Zhao Lu was the beneficial owner of 60,000 Shares. On 23 March 2015, Ms. Zhao Lu was granted 250,000 share options under the Share Option Scheme, among which 100,000 share options have been exercised. On 6 May 2021, 39,000 awarded shares were granted to Ms. Zhao Lu under the Share Award Scheme. Upon the full exercise and vest of such share options and awarded shares, Ms. Zhao Lu will be beneficially interested in 189,000 Shares.
- (9) Mr. Yuan Xu will be the beneficial owner of 384,978 most senior class of shares of UGen World Inc. upon full conversion of the relevant share subscription warrants pursuant to the terms thereof and is the holder of US\$100,000 convertible promissory note of UGen World Inc. which can be converted into such number of the most senior class or series of equity securities of UGen World Inc. or such class or series of equity securities of UGen World Inc. existing immediately prior to such conversion as elected by him in his sole discretion pursuant to the terms of the relevant convertible promissory note.
- (10) Mr. Hong Zhang will be the beneficial owner of 230,986 most senior class of shares of UGen World Inc. upon full conversion of the relevant share subscription warrants pursuant to the terms thereof and is the holder of US\$60,000 convertible promissory note of UGen World Inc. which can be converted into such number of the most senior class or series of equity securities of UGen World Inc. or such class or series of equity securities of UGen World Inc. existing immediately prior to such conversion as elected by him in his sole discretion pursuant to the terms of the relevant convertible promissory note.

Save as disclosed above, as of 31 December 2021, none of the Directors and chief executive of the Company was, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to Listing Rules.

DIRECTORS' REPORT

(b) Substantial shareholders' and other persons' interests and short positions in Shares and underlying Shares

So far as were known to the Directors or chief executive of the Company, as at 31 December 2021, the following persons had interests and/or short positions of 5% or more of the Shares and underlying Shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares/ underlying Shares held	Approximate percentage of shareholding
Duke Online (Notes 1,2)	Beneficial owner, interests held jointly with another person	316,381,653	26.51%
Mr. Zongjian Cai (Notes 1,2)	Beneficial owner, interest in a controlled corporation, spouse interest, interests held jointly with another person	316,381,653	26.51%
Mr. Yuan Xu (Notes 1,2)	Beneficial owner, interests held jointly with another person	316,381,653	26.51%
Mr. Hong Zhang (Notes 1,2)	Beneficial owner, interests held jointly with another person	316,381,653	26.51%
Ms. Kai Chen (Notes 1,2)	Beneficial owner, spouse interest, interests held jointly with another person	316,381,653	26.51%
Mr. Zhixiang Chen (Notes 1,2)	Beneficial owner, interests held jointly with another person	316,381,653	26.51%
Edmond Online (Note 3)	Beneficial owner	153,434,000	12.86%
Mr. Yuan Chi (Note 3)	Beneficial owner, interest in a controlled corporation	154,002,000	12.90%
LSV Asset Management (Note 4)	Investment manager, interests held through general partnership	61,935,000	5.19%

DIRECTORS' REPORT

Notes:

- (1) Pursuant to an act in concert agreement dated 16 September 2013, as amended by an amendment dated 18 October 2016, Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Kai Chen and Mr. Zhixiang Chen agreed that they would act in concert with each other with respect to material matters relating to the Company's operation. Each of Mr. Zongjian Cai, Duke Online, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Kai Chen (spouse of Mr. Zongjian Cai) and Mr. Zhixiang Chen is therefore deemed to be interested in the Shares held by one another under the SFO.
- (2) Mr. Zongjian Cai was interested in all the issued share capital of Duke Online and he is the sole director of Duke Online. Therefore, he was deemed to be interested in 193,752,027 Shares held by Duke Online under the SFO. Mr. Zongjian Cai was deemed to be interested in all Shares held by Ms. Kai Chen under the SFO. On 6 May 2021, 746,000 awarded shares were granted to Mr. Zongjian Cai under the Share Award Scheme. On 21 May 2021, 38,444,306 Performance-based Awarded Shares were awarded to Mr. Zongjian Cai under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. Upon the full vest of such awarded shares and Performance-based Awarded Shares, Mr. Zongjian Cai will be beneficially interested in 39,190,306 Shares.

Mr. Yuan Xu was the beneficial owner of 22,494,917 Shares. On 23 March 2015, he was also granted 613,000 share options under the Share Option Scheme. On 6 May 2021, 579,000 awarded shares were granted to Mr. Yuan Xu under the Share Award Scheme. On 21 May 2021, 7,163,535 Performance-based Awarded Shares were awarded to Mr. Yuan Xu under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. Upon the full exercise and vest of such share options, awarded shares and Performance-based Awarded Shares, Mr. Yuan Xu will be beneficially interested in 8,355,535 Shares.

Mr. Hong Zhang was the beneficial owner of 8,166,835 Shares, and was granted 9,200,000 share options under the Pre-IPO Share Option Scheme, among which 6,200,000 share options have been exercised. On 23 March 2015, Mr. Hong Zhang was also granted 605,000 share options under the Share Option Scheme. On 6 May 2021, 493,000 awarded shares were awarded to Mr. Hong Zhang under the Share Award Scheme. On 21 May 2021, 6,447,181 Performance-based Awarded Shares were awarded to Mr. Hong Zhang under the Performance-based Share Award Scheme. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant. Upon the full exercise and vest of such share options, awarded shares and Performance-based Awarded Shares, Mr. Hong Zhang will be beneficially interested in 10,545,181 Shares.

Ms. Kai Chen was the beneficial owner of 17,847,952 Shares. On 19 August 2021, 28,900 awarded shares were granted to Ms. Kai Chen under the Share Award Scheme. Upon the full vest of such awarded shares, Ms. Kai Chen will be beneficially interested in 28,900 Shares. She was also deemed to be interested in all Shares held by Mr. Zongjian Cai under the SFO.

Mr. Zhixiang Chen was the beneficial owner of 16,000,000 Shares.
- (3) Mr. Yuan Chi was the beneficial owner of 486,000 Shares. Mr. Yuan Chi was also interested in all the issued share capital of Edmond Online and he is one of the directors of Edmond Online. Therefore, he was deemed to be interested in 153,434,000 Shares held by Edmond Online under the SFO. On 6 May 2021, 82,000 awarded shares were granted to Mr. Yuan Chi under the Share Award Scheme. Upon the full vest of such awarded shares, Mr. Yuan Chi will be beneficially interested in 82,000 Shares.
- (4) LSV Asset Management held 48,031,000 Shares in the capacity of investment manager, and 13,904,000 Shares are deemed interest through its general partnership interest in certain limited partnerships.

Save as disclosed above, as at 31 December 2021, the Directors are not aware of any other persons, other than the Directors and chief executives of the Company, whose interests are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had interests or short positions in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 to the SFO.

PRE-IPO SHARE OPTION SCHEME

The Pre-IPO Share Option Scheme was adopted by the Company on 12 November 2008 and amended on 16 September 2013 by written resolutions of all the Shareholders. The terms of our Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as our Pre-IPO Share Option Scheme will not involve the grant of options by us to subscribe for Shares once we have become a listed issuer.

The purpose of the Pre-IPO Share Option Scheme is to offer selected persons an opportunity to acquire a proprietary interest in the success of the Company, or to increase such interest, by purchasing Shares.

DIRECTORS' REPORT

The outstanding options under the Pre-IPO Share Option Scheme represent share options originally granted by the Company to the grantees on 20 January 2007, 1 July 2007, 1 July 2008, 5 December 2008, 19 March 2009, 1 August 2009, 1 November 2009, 18 April 2011, 21 April 2011, 25 April 2011, 3 May 2011, 16 May 2011, 13 June 2011, 2 July 2011, 14 August 2011, 15 January 2012, 21 May 2012, and 31 March 2013, respectively, in respect of the Shares in the Company. As of the Listing Date, a total of 224 participants, including three members of the senior management and seven connected persons of our Group have been conditionally granted options under the Pre-IPO Share Option Scheme. The Company should not and did not grant any share options under the Pre-IPO Share Option Scheme after the Listing.

Share options granted under the Pre-IPO Share Option Scheme shall mainly vest according to the following schedule, each with an exercise period commencing from the relevant vesting date and ending 10 years after the date of grant:

Period within which option can be exercised	Maximum percentage of entitlement
Any time after the date when the options are granted (the "First Granting Date"), subject to grantee's completion of 12 months' continuous service	25%
Any time after the first anniversary of the First Granting Date, subject to grantee's completion of 12 months' continuous service	25%
Any time after the second anniversary of the First Granting Date, subject to grantee's completion of 12 months' continuous service	25%
Any time after the third anniversary of the First Granting Date, subject to grantee's completion of 12 months' continuous service	25%

Below table set forth the exercise price of the share options granted on respective dates:

Date of grant	Exercise price
20 January 2007, 1 July 2007	US\$0.004026
1 July 2008	US\$0.008052
5 December 2008, 19 March 2009	US\$0.03775
1 August 2009, 1 November 2009	US\$0.05
18 April 2011, 21 April 2011, 25 April 2011, 3 May 2011, 16 May 2011, 13 June 2011	US\$0.0525
2 July 2011, 14 August 2011, 15 January 2012, 21 May 2012, 31 March 2013	US\$0.0865

DIRECTORS' REPORT

Particulars and movements of share options under the Pre-IPO Share Option Scheme during the year ended 31 December 2021 by category of grantees were as follows:

Category of grantees	Number of Pre-IPO share options			
	Outstanding as at 31 December 2020	Exercised during the Year	Lapsed/ forfeited during the Year	Outstanding as at 31 December 2021
Directors	4,800,000	1,800,000	–	3,000,000
Connected persons (other than Directors)	300,000	–	–	300,000
Other employee who has been granted share options under the Pre-IPO Share Option Scheme to subscribe for one million Shares or more (Total No.: 1)	225,000	200,000	–	25,000
Other employees (Total No.: 23)	2,113,500	868,500	–	1,245,000
Total	7,438,500	2,868,500	–	4,570,000

Note: The weighted average closing price of the Shares immediately before the dates on which the share options under the Pre-IPO Share Option Scheme were exercised was HK\$10.91 (for the year ended 31 December 2020: HK\$7.77).

Save as disclosed above, no share options under the Pre-IPO Share Option Scheme have been exercised, lapsed or cancelled during the year ended 31 December 2021.

DIRECTORS' REPORT

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 16 September 2013 for the purpose of giving the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Eligible persons shall be (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (b) a director or proposed director (including a non-executive director and/or an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; (g) an associate of any of the persons referred to in paragraphs (a) to (c) above; and (h) who, in the sole opinion of the Board, will contribute to or have contributed to the Group.

The maximum number of Shares which 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, that is, 130,973,709 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. As at the date of this report, the total number of securities available for issue under the Share Option Scheme is 125,930,209, which represent approximately 10.5% of the issued Shares as at the date of this report.

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 28 days after the offer 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 nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheets on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

DIRECTORS' REPORT

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date (i.e. 18 October 2013) and will expire on 17 October 2023, after which no further options will be granted or offered.

Pursuant to Rule 17.07 of the Listing Rules, particulars and movements of share options under the Share Option Scheme during the Year by category of grantees were as follows:

Category of grantees	Date of grant	Exercise price per Share	Outstanding as at 31 December 2020	Number of share options			Outstanding as at 31 December 2021
				Granted during the Year	Exercised during the Year	Lapsed/ forfeited during the Year	
Directors							
Mr. Zongjian Cai	23 March 2015	HK\$3.90	332,000	-	332,000	-	-
Mr. Yuan Xu	23 March 2015	HK\$3.90	613,000	-	-	-	613,000
Mr. Hong Zhang	23 March 2015	HK\$3.90	605,000	-	-	-	605,000
Ms. Jessie Shen	21 November 2014	HK\$3.51	367,000	-	-	-	367,000
	23 March 2015	HK\$3.90	141,000	-	-	-	141,000
Mr. Feng Chen	23 March 2015	HK\$3.90	300,000	-	-	-	300,000
Mr. Yuan Chi	23 March 2015	HK\$3.90	486,000	-	486,000	-	-
Ms. Zhao Lu	23 March 2015	HK\$3.90	150,000	-	-	-	150,000
Mr. Dajian Yu	23 March 2015	HK\$3.90	250,000	-	100,000	-	150,000
Directors' respective associate							
Ms. Meijia Chen (cousin of Mr. Yuan Xu)	23 March 2015	HK\$3.90	553,000	-	-	-	553,000
Employees (Total no.: 16)							
	11 August 2014	HK\$5.47	100,000	-	-	-	100,000
	21 November 2014	HK\$3.51	75,000	-	-	-	75,000
	23 March 2015	HK\$3.90	999,000	-	-	-	999,000
	19 August 2019	HK\$5.75	439,000	-	27,000	6,000	406,000
	6 May 2020	HK\$4.91	357,000	-	15,000	-	342,000
Total			5,767,000	-	960,000	6,000	4,801,000

Note: The weighted average closing price of the Shares immediately before the dates on which the share options under the Share Option Scheme were exercised was HK\$11.16 (for the year ended 31 December 2020: HK\$6.52).

DIRECTORS' REPORT

11 August 2014

Share options granted on 11 August 2014 were vested in eligible grantees from 11 August 2015 to 11 August 2018. During the vesting period, 25% of the total number of share options granted were vested on each anniversary date of grant. The grantees can exercise the share options commencing from the relevant vesting dates and ending 10 years after the date of grant.

21 November 2014

Share options granted on 21 November 2014 were vested in eligible grantees from 21 November 2015 to 21 November 2018. During the vesting period, 25% of the total number of share options granted were vested on each anniversary date of grant. The grantees can exercise the share options commencing from the relevant vesting dates and ending 10 years after the date of grant.

23 March 2015

Share options granted on 23 March 2015 can be exercised from a period commencing from the relevant vesting dates and ending 10 years after the date of grant.

Out of the share options granted on 23 March 2015, 1,450,000 share options, which were granted to certain non-executive Directors and all independent non-executive Directors, of which one-third of the total number of share options granted were vested on each of the date of the annual general meeting in 2016, 2017 and 2018.

The remaining 4,889,000 share options were vested in the other eligible grantees from 23 March 2016 to 23 March 2019, of which 25% of the total number of the share options granted were vested on each anniversary date of grant.

19 August 2019

Share options granted on 19 August 2019 are vested in eligible grantees from 19 August 2020 to 19 August 2023. During the vesting period, 25% of the total number of share options granted is to be vested on each anniversary date of grant. The grantees can exercise the share options commencing from the relevant vesting date and ending 10 years after the date of grant.

6 May 2020

Share options granted on 6 May 2020 are vested in eligible grantees from 6 May 2021 to 6 May 2024. During the vesting period, 25% of the total number of share options granted will be vested on each anniversary date of grant. The grantees can exercise the share options commencing from the relevant vesting date and ending 10 years after the date of grant.

Save as disclosed above, during the Year, no other share options under the Share Option Scheme have been granted, exercised, lapsed or cancelled.

DIRECTORS' REPORT

SHARE AWARD SCHEME

The Share Award Scheme of the Company was adopted by the Board on 24 December 2013 (the "Adoption Date") and amended on 19 August 2021. The purpose of the Share Award Scheme is to recognise the contributions by certain selected grantees and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Board may, from time to time, at their absolute discretion select any eligible person (excluding any excluded grantee) for participation in the Share Award Scheme as a selected grantee. However, until so selected, no eligible person shall be entitled to participate in the Share Award Scheme. The awarded shares (where the Board has determined such number pursuant to the terms of the Share Award Scheme) shall be either (i) allotted and issued by the Company, by using the general mandate granted to the Board by the shareholders of the Company in the annual general meeting of the Company from time to time, unless separate Shareholders' approval is obtained in a general meeting of the Company, or (ii) acquired by Computershare Hong Kong Trustees Limited, as the trustee ("Trustee") from the open market by utilising the Company's resources provided to the Trustee, subject to the absolute discretion of the Board. The Company will contribute or grant cash to the Trustee to enable the Scheme to operate with necessary funds to purchase and/or subscribe for Shares. The vesting period shall, in any event, be no longer than ten years.

It is intended that the awarded shares under the Share Award Scheme will be offered to the selected grantees to take up the relevant awarded shares for no consideration subject to the compliance with the relevant laws and regulations, and certain conditions to be decided by the Board at the time of grant of the awarded shares under the Share Award Scheme.

Awarded shares held by the Trustee upon the trust and which are referable to a selected grantee shall vest to that selected grantee in accordance with a vesting schedule determined at the discretion of the Board, provided that the selected grantee remains at all times after the reference date (the date of final approval by the Board of the total number of shares to be awarded to the selected grantees in a single occasion pursuant to the Share Award Scheme or the date of an award by the Trustee pursuant to the trust deed) and on each relevant vesting date(s) an eligible person. The Board may also, in its absolute discretion, determine the performance, operating and financial targets and other criteria, if any, to be satisfied by the selected grantee before the awarded shares can vest.

The Board shall not make any further award which will result in the number of shares awarded by the Board under the Share Award Scheme in excess of 10% of the issued share capital of the Company as at the Adoption Date. In any event, the unvested shares held by the Trustee at any time shall be less than 5% of the issued share capital of the Company. The maximum number of Shares to all controlling shareholders which may be subject to an award or awards in any of the 12 months shall not in aggregate exceed 2% of the issued share capital of the Company from time to time. The maximum number of shares which may be awarded to a participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date.

Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date.

DIRECTORS' REPORT

Details of the Share Award Scheme are set out in the Company's announcements dated 24 December 2013 and 19 August 2021.

Particulars of the movements of the awarded shares under the Share Award Scheme during the year ended 31 December 2021 were as follows:

Category of grantees	Date of grant	Number of awarded shares				Outstanding as at 31 December 2021
		Outstanding as at 31 December 2020	Granted during the Year	Vested during the Year	Lapsed/ forfeited during the Year	
Directors						
Mr. Zongjian Cai	6 May 2021	–	746,000	–	–	746,000
Mr. Yuan Xu	6 May 2021	–	579,000	–	–	579,000
Mr. Hong Zhang	6 May 2021	–	493,000	–	–	493,000
Ms. Jessie Shen	6 May 2021	–	544,000	–	–	544,000
Mr. Feng Chen	6 May 2021	–	391,000	–	–	391,000
Mr. Yuan Chi	6 May 2021	–	82,000	–	–	82,000
Dr. Horn Kee Leong	6 May 2021	–	72,000	–	–	72,000
	20 August 2020	60,000	–	60,000	–	–
Ms. Zhao Lu	6 May 2021	–	39,000	–	–	39,000
	20 August 2020	60,000	–	60,000	–	–
Mr. Dajian Yu	6 May 2021	–	39,000	–	–	39,000
	20 August 2020	60,000	–	60,000	–	–
Employees and other connected persons						
(Total no.: 733)	20 April 2017	491,956	–	491,956	–	–
	27 June 2017	122,047	–	122,047	–	–
	8 September 2017	151,000	–	128,500	22,500	–
	17 November 2017	218,132	–	214,382	3,750	–
	23 March 2018	406,790	–	203,385	–	203,405
	23 August 2018	536,052	–	261,768	22,500	251,784
	9 November 2018	52,500	–	26,250	–	26,250
	20 March 2019	153,750	–	51,250	–	102,500
	6 May 2019	148,862	–	47,120	7,500	94,242
	19 August 2019	480,000	–	155,000	15,000	310,000
	6 May 2020	1,773,000	–	429,999	156,500	1,186,501
	20 August 2020	998,333	–	407,083	–	591,250
	6 November 2020	943,730	–	222,183	55,000	666,547
	11 March 2021	–	1,117,890	–	89,200	1,028,690
	6 May 2021	–	207,565	–	28,030	179,535
	19 August 2021	–	12,516,650	–	385,658	12,130,992
	5 November 2021	–	1,100,000	–	–	1,100,000

DIRECTORS' REPORT

Category of grantees	Date of grant	Number of awarded shares				Outstanding as at 31 December 2021
		Outstanding as at 31 December 2020	Granted during the Year	Vested during the Year	Lapsed/ forfeited during the Year	
Consultant						
(Total no.: 1)	20 April 2017	22,404	–	22,404	–	–
	27 June 2017	16,726	–	16,726	–	–
	17 November 2017	18,536	–	18,536	–	–
	23 March 2018	32,793	–	16,396	–	16,397
	23 August 2018	12,266	–	6,132	–	6,134
	6 May 2019	8,250	–	2,750	–	5,500
	6 May 2020	8,000	–	2,000	–	6,000
Total		6,775,127	17,927,105	3,025,867	785,638	20,890,727

- Notes:
1. The lapse of awarded shares during the Year was due to termination of employment of certain grantees.
 2. The weighted average closing price of the Shares immediately before the dates on which the awarded shares under the Share Award Scheme were vested was HK\$9.66 (for the year ended 31 December 2020: HK\$7.03).

DIRECTORS' REPORT

During the year ended 31 December 2021, the Company granted the awarded shares as followings:

11 March 2021

On 11 March 2021, the Board granted a total of 1,117,890 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain employees of the Group pursuant to the Share Award Scheme at nil consideration. The closing price immediately before the date on which the awarded shares were granted on 11 March 2021 was HK\$10.696. The awarded shares granted shall be vested in the share award grantees in accordance with the schedule below:

Share award vesting date	Percentage of awarded shares to vest
On 11 March 2022	25% of the total number of awarded shares granted
On 11 March 2023	25% of the total number of awarded shares granted
On 11 March 2024	25% of the total number of awarded shares granted
On 11 March 2025	25% of the total number of awarded shares granted

6 May 2021

On 6 May 2021, the Board granted a total of 3,192,565 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain employees and Directors of the Group pursuant to the Share Award Scheme at nil consideration. The closing price immediately before the date on which the awarded shares were granted on 6 May 2021 was HK\$12.28. The awarded shares granted shall be vested in the share award grantees in accordance with the schedule below:

Awarded shares granted to Directors

Among the 3,192,565 awarded shares granted, 2,985,000 awarded shares, which were granted to the Directors, shall be subject to a vesting period as follows:

Share award vesting date	Percentage of awarded shares to vest
On the date of the annual general meeting to be convened in 2022	50% of the total number of awarded shares granted
On the date of the annual general meeting to be convened in 2023	50% of the total number of awarded shares granted

DIRECTORS' REPORT

Awarded shares granted to certain employees

Among the 3,192,565 awarded shares granted, 85,550 awarded shares, which were granted to certain employees, shall be subject to a vesting period as follows:

Share award vesting date	Percentage of awarded shares to vest
On 6 May 2022	50% of the total number of awarded shares granted
On 6 May 2023	50% of the total number of awarded shares granted

Other awarded shares

The remaining 122,015 awarded shares, which were granted to certain employees, shall be subject to a vesting period as follows:

Share award vesting date	Percentage of awarded shares to vest
On 6 May 2022	25% of the total number of awarded shares granted
On 6 May 2023	25% of the total number of awarded shares granted
On 6 May 2024	25% of the total number of awarded shares granted
On 6 May 2025	25% of the total number of awarded shares granted

19 August 2021

On 19 August 2021, the Board granted a total of 12,516,650 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to connected persons and certain employees of the Group pursuant to the Share Award Scheme at nil consideration. The closing price immediately before the date on which the awarded shares were granted on 19 August 2021 was HK\$7.48. The awarded shares granted shall be vested in the share award grantees in accordance with the schedule below:

Awarded shares granted to connected persons and certain employees

Among the 12,516,650 awarded shares granted, 11,654,150 awarded shares, which were granted to certain employees and directors of certain Subsidiaries of the Company, including Ms. Meijia Chen, Mr. Hanling Fang, Mr. Shuo Wang, Mr. Chengfeng Luo, Mr. Xiandong Liu, Mr. Choy Wai Cheong and Ms. Kai Chen, as well as a substantial shareholder of the Subsidiaries, Mr. Deyang Zheng, and relevant connected persons of the Group, Ms. Zhiying Chen and Ms. Siying Hao, shall be subject to a vesting period as follows:

Share award vesting date	Percentage of awarded shares to vest
On 19 August 2022	50% of the total number of awarded shares granted
On 19 August 2023	50% of the total number of awarded shares granted

DIRECTORS' REPORT

Other awarded shares

The remaining 862,500 awarded shares, which were granted to certain employees, shall be subject to a vesting period as follows:

Share award vesting date	Percentage of awarded shares to vest
On 19 August 2022	25% of the total number of awarded shares granted
On 19 August 2023	25% of the total number of awarded shares granted
On 19 August 2024	25% of the total number of awarded shares granted
On 19 August 2025	25% of the total number of awarded shares granted

5 November 2021

On 5 November 2021, the Board granted a total of 1,100,000 awarded shares, which have been acquired by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to certain employees of the Group pursuant to the Share Award Scheme at nil consideration. The closing price immediately before the date on which the awarded shares were granted on 5 November 2021 was HK\$7.18. The awarded shares granted shall be vested in the share award grantees in accordance with the schedule below:

Awarded shares granted to certain employees

Among the 1,100,000 awarded shares granted, 330,000 awarded shares, which were granted to certain employees, shall be subject to a vesting period as follows:

Share award vesting date	Percentage of awarded shares to vest
On 5 November 2022	50% of the total number of awarded shares granted
On 5 November 2023	50% of the total number of awarded shares granted

Other awarded shares

The remaining 770,000 awarded shares, which were granted to certain employees, shall be subject to a vesting period as follows:

Share award vesting date	Percentage of awarded shares to vest
On 5 November 2022	25% of the total number of awarded shares granted
On 5 November 2023	25% of the total number of awarded shares granted
On 5 November 2024	25% of the total number of awarded shares granted
On 5 November 2025	25% of the total number of awarded shares granted

Save as disclosed above, during the year ended 31 December 2021, no awarded shares were granted, vested, or lapsed under the Share Award Scheme.

DIRECTORS' REPORT

PERFORMANCE-BASED SHARE AWARD SCHEME

The Performance-based Share Award Scheme of the Company was adopted by the Board on 21 May 2021. The purpose of the Performance-based Share Award Scheme is to recognise the contributions by certain eligible persons, particularly the Directors, senior management and key personnel of certain divisions of the Group.

The Board may, at its absolute discretion, impose certain vesting conditions, such as performance index to the grant of Performance-based Awarded Shares which shall incentivize the selected grantees in achieving targeted performance indicators for the continuing development and growth of the Group, and to retain suitable personnel for further development of the Group. The Board may, from time to time, at its absolute discretion select any eligible person (excluding any excluded grantee) for participation in the Performance-based Share Award Scheme as a selected grantee. However, until so selected, no eligible person shall be entitled to participate in the Performance-based Share Award Scheme. The Performance-based Share Award Scheme shall be either (i) allotted and issued by the Company under general mandates or specific mandates granted to the Board by the Shareholders in the general meetings of the Company from time to time; (ii) allotted and issued by the Company under specific mandates granted to the Board by the Shareholders in the general meetings of the Company where (a) any grant of the performance-based awarded shares would cause the Company to issue and allot Shares in excess of the permitted amount in the general mandate available from time to time; or (b) any award of the Performance-based Awarded Shares by the Board to a selected grantee is made to a connected person of the Company; or (iii) acquired by the trustee from the open market by utilising the Company's resources provided to the trustee, subject to the absolute discretion of the Board.

It is intended that the awarded shares under the Performance-based Share Award Scheme will be offered to the selected grantees to take up the relevant awarded shares for no consideration subject to the compliance with the relevant laws and regulations, and certain conditions to be decided by the Board at the time of grant of the Performance-based Awarded Shares under the Performance-based Share Award Scheme.

No Shares shall be subscribed for and/or purchased pursuant to the Performance-based Share Award Scheme nor any amounts paid to the trustee for the purpose of making such a subscription and/or purchase, if as a result of such subscription and/or purchase, the number of Shares administered under the Performance-based Share Award Scheme would represent more than 6% of the number of the issued Shares as at 21 May 2021 (subject to adjustment in the event of sub-division, consolidation or bonus issue of Shares in accordance with the rules of the Performance-based Share Award Scheme).

Subject to any early termination as may be determined by the Board pursuant to the terms of the Performance-based Share Award Scheme, the Performance-based Share Award Scheme shall be valid and effective for a term of five (5) years commencing on 21 May 2021.

DIRECTORS' REPORT

On 21 May 2021, the Board resolved to conditionally grant up to 71,635,355 Performance-based Awarded Shares, representing approximately 6% of the total issued share capital of the Company as at 21 May 2021 and being the maximum number of Performance-based Awarded Shares that can be granted under the Performance-based Share Award Scheme, to the grantees as set out below. On 20 July 2021, an ordinary resolution was passed by the Shareholders to approve such grant.

Category of grantees	Number of Performance-based Awarded Shares granted as approved by the Shareholders on 20 July 2021
Directors	
Mr. Zongjian Cai	38,444,306
Mr. Yuan Xu	7,163,535
Mr. Hong Zhang	6,447,181
Ms. Jessie Shen	5,253,259
Mr. Feng Chen	2,865,414
Other connected persons of the Company	
Ms. Meijia Chen (director of subsidiaries of the Company and senior vice president of the Group)	7,163,536
Mr. Hanling Fang (director of subsidiaries of the Company and vice president of the Group)	716,354
Mr. Shuo Wang (director of subsidiaries of the Company and vice president of the Group)	716,354
Mr. Chengfeng Luo (director of subsidiaries of the Company and senior director of research and development)	716,354
Employees (Total No.: 3)	2,149,062
Total	71,635,355

Note:

- The closing price of the Shares as at 21 May 2021, being the date on which the Board approved to conditionally grant 71,635,355 Performance-based Awarded Shares under the Performance-based Share Award Scheme, was HK\$11.02 per Share. The closing price of the Shares as at 20 July 2021, being the date on which the ordinary resolution was passed by the Shareholders to approve such grant, was HK\$9.50 per Share.

DIRECTORS' REPORT

Subject to the terms and conditions of the Performance-based Share Award Scheme and the satisfaction of the vesting conditions, an aggregate of up to 71,635,355 Performance-based Awarded Shares will be vested in five tranches, each to be vested to the grantees as soon as reasonably practicable after the end of each of the relevant measurement period (being the trading days within the thirty calendar days immediately after the date on which the annual results for the relevant financial year are published by the Company on the Stock Exchange) for the relevant financial year as set out below and upon determination by the Board (excluding Directors who are grantees) as to whether the vesting conditions have been satisfied for each such tranche and the actual number of Performance-based Awarded Shares to be vested under each such tranche.

Financial year	Percentage of Performance-based Awarded Shares to vest
Financial year ended 31 December 2021	20%
Financial year ending 31 December 2022	20%
Financial year ending 31 December 2023	20%
Financial year ending 31 December 2024	20%
Financial year ending 31 December 2025	20%

As at the date of this report, no Performance-based Awarded Shares were vested or lapsed under the Performance-based Share Award Scheme. Details of the Performance-based Share Award Scheme are set out in the Company's announcement dated 21 May 2021 and circular dated 28 June 2021.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31 December 2021 and up until the date of this report, except that as disclosed in the sections headed "Pre-IPO Share Option Scheme", "Share Option Scheme", "Share Award Scheme" and "Performance-based Share Award Scheme", none of the Directors or chief executives of the Company was granted any share options under the Pre-IPO Share Option Scheme or the Share Option Scheme or any awarded shares under the Share Award Scheme or the Performance-based Share Award Scheme.

Save as disclosed above and in the section headed "Disclosure of Interest as per registers kept pursuant to the SFO" in this report, at no time for the year ended 31 December 2021 were there rights to acquire benefits by means of the acquisition of shares in, or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

DIRECTORS' REPORT

COMPETING INTEREST

Except for the disclosure in this annual report, to the best knowledge of the Company, none of the Directors or the substantial shareholders of the Company or their respective associates has any interest in any business which competed or may compete with the business of the Group during the Year.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts to which the Company or any of its subsidiaries was a party to and in which a Director or its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest in, whether directly or indirectly, and subsisted as of 31 December 2021 or at any time during the year ended 31 December 2021.

CHANGES IN DIRECTORS' INFORMATION

In accordance with Rule 13.51B(1) of the Listing Rules, the change of the information of the Directors are set out below:

In July 2021, Dr. Horn Kee Leong resigned as the Singapore's Non-resident High Commissioner to Cyprus.

In December 2021, Mr. Feng Chen ceased to be a director and shareholder of the Company's joint venture, Chinese ABC Limited, upon its deregistration.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to Rules 13.51B(1) of the Listing Rules since the last published interim report of the Company.

DIRECTORS' 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 ended 31 December 2021.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Pre-IPO Share Option Scheme", "Share Option Scheme", "Share Award Scheme" and "Performance-based Share Award Scheme", as at the end of and during the year ended 31 December 2021, the Company did not enter into (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

PERMITTED INDEMNITY PROVISION

Pursuant to Article 164 of the Articles of Association, the Directors shall 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 which the Directors or any of the Directors shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of the Directors shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

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

The Company had bought back the Shares on the Stock Exchange during the year ended 31 December 2021 with details as follows:

Month of Purchase	Number of Shares Bought Back	Price per Share		Total Consideration Paid
		Highest Price Paid	Lowest Price Paid	
		HK\$	HK\$	HK\$
March 2021	5,221,000	10.44	9.91	53,215,750
April 2021	400,000	10.60	10.50	4,221,500
October 2021	600,000	7.00	6.97	4,190,460
Total	6,221,000			61,627,710

As at the date of this report, all of the Shares bought back were cancelled.

DIRECTORS' REPORT

The Directors performed the share repurchase in accordance with buy-back mandate granted by the Shareholders at the annual general meetings and in the best interests of the Company and the Shareholders as a whole. The share buy-backs were carried out having considered the market conditions and financial arrangements, the Directors believe that the share buy-back would enhance the value of the Company and Shareholders in the long term.

Save as disclosed above and that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the market a total of 19,653,000 Shares with total consideration of HK\$188,442,000, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and to supervise the financial reporting process and risk management and internal control systems of the Group. The audit committee comprises all independent non-executive Directors, namely, Dr. Horn Kee Leong (chairman of the audit committee), Mr. Dajian Yu and Ms. Zhao Lu.

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021 and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure in accordance with the Listing Rules has been made in respect thereof.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered by the Group during the Year are set out in note 30 to the consolidated financial statements. The grant of Performance-based Awarded Shares under the related party transaction set out in note 30(a) constituted a connected transaction subject to reporting, announcement and independent shareholders' approval requirement, details of which are set out in section headed "Directors' Report – Connected Transaction" in this annual report, and other related party transactions set out in note 30(a) constitute continuing connected transactions that are fully exempt from disclosure requirements under Chapter 14A of the Listing Rules. The related party transactions set out in note 30(b) do not constitute connected transactions or continuing connected transactions as defined under Chapter 14A of the Listing Rules.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, the Group had not entered into any connected transaction which was required to be disclosed under the Listing Rules.

CONNECTED TRANSACTION

On 21 May 2021, the Board approved the adoption of the Performance-based Share Award Scheme and resolved to conditionally grant up to 71,635,355 Performance-based Awarded Shares, representing 6% of the total issued share capital of the Company as at 21 May 2021, to certain grantees at nil consideration, among which up to 69,486,293 Performance-based Awarded Shares were granted to nine connected grantees, including five executive Directors (namely, Mr. Zongjian Cai, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Jessie Shen and Mr. Feng Chen) and four directors of the Company's subsidiaries (namely, Ms. Meijia Chen, Mr. Hanling Fang, Mr. Shuo Wang and Mr. Chengfeng Luo), who are connected persons of the Company. For further details of the Performance-based Share Award Scheme and the grant of the Performance-based Awarded Shares, please refer to the sub-section headed "Directors' Report – Performance-based Share Award Scheme" of this annual report, the announcements of the Company dated 21 May 2021 and 20 July 2021 and the circular of the Company dated 28 June 2021.

DIRECTORS' REPORT

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Fuzhou Tianmeng Structured Contracts

The existing PRC laws and regulations restrict foreign investment in value-added telecommunication, Internet content and information services, and online games in the PRC. The wholly-owned subsidiary of the Company, Fuzhou Tianji, being a foreign-owned enterprise, does not have the requisite licenses to provide services regarding value-added telecommunication, Internet content and information services, and online games in the PRC.

In order to comply with PRC laws restricting foreign ownership in the value-added telecommunication in China, or foreign ownership prohibitions on Internet content and information services, the Group historically operated the licensing and publishing of self-developed browser games and client-based games in China through Fuzhou Tianmeng. Fuzhou Tianmeng, as a domestic company, holds certain of important licenses, including the ICP License and Internet Publishing License, to operate our business. In addition, Fuzhou Tianmeng holds certain of the Group's intellectual properties and is also partially vested with the Group's online games development functions.

In 2007, Fuzhou Tianji, the Founders and Fuzhou Tianmeng entered into the Previous Structured Contracts, as supplemented by the agreements in 2009 and 2013, pursuant to which the financial results of Fuzhou Tianmeng would be combined with the Company as if Fuzhou Tianmeng were a subsidiary of the Group. For details of terms of the Previous Structured Contracts, please refer to page 84 to page 85 of 2018 Annual Report of the Company.

Termination of the Previous Structured Contracts and the entering into of the Fuzhou Tianmeng Structured Contracts

On 28 December 2018, each of the Founders and the Fuzhou Tianmeng Registered Holders entered into an equity transfer agreement (the "Equity Transfer Agreement"), pursuant to which each of the Founders agreed to transfer 50% and 50% of the equity interests in Fuzhou Tianmeng to Mr. Deyang Zheng and Mr. Chengfeng Luo, respectively, at a total consideration of RMB10.51 million. On the same date, the relevant parties as detailed below also entered into the following agreements as detailed below to change the registered shareholders of Fuzhou Tianmeng:

- (i) the termination agreement, pursuant to which the Founders, Fuzhou Tianmeng and Fuzhou Tianji agreed that subject to the entering into of the Fuzhou Tianmeng Structured Contracts by Fuzhou Tianmeng, Fuzhou Tianji and the Fuzhou Tianmeng Registered Holders, the Previous Structured Contracts would be terminated;
- (ii) the loan agreement, pursuant to which, among others, Fuzhou Tianji agreed to offer each of Mr. Deyang Zheng and Mr. Chengfeng Luo a loan for the purpose of providing to the Fuzhou Tianmeng Registered Holders the consideration under the Equity Transfer Agreement; and
- (iii) the tripartite agreement, pursuant to which, among others, Fuzhou Tianji, the Founders and the Fuzhou Tianmeng Registered Holders agreed to set-off the consideration under the Equity Transfer Agreement payable by the Fuzhou Tianmeng Registered Holders against the loans owed by the Founders to Fuzhou Tianji.

DIRECTORS' REPORT

The Fuzhou Tianmeng Structured Contracts comprise eight agreements, the details of which are summarised as below:

- (i) **New Call Option Agreement:** on 28 December 2018, Fuzhou Tianmeng, Fuzhou Tianji and the Fuzhou Tianmeng Registered Holders entered into the call option agreement (the “New Call Option Agreement”), pursuant to which each of the Fuzhou Tianmeng Registered Holders irrevocably granted the exclusive right to Fuzhou Tianji or its designee(s) to acquire equity interest in or assets of Fuzhou Tianmeng as and when permitted by the PRC laws. The amount of consideration payable by Fuzhou Tianji to the equity holders of Fuzhou Tianmeng shall be RMB1.0 or the lowest possible amount permissible under the applicable PRC laws. The Fuzhou Tianmeng Registered Holders shall return any consideration they receive in the event that Fuzhou Tianji exercises the call option under the New Call Option Agreement to acquire equity interest in or assets of Fuzhou Tianmeng.
- (ii) **New Equity Pledge Agreement:** on 28 December 2018, Fuzhou Tianji and the Fuzhou Tianmeng Registered Holders entered into the equity pledge agreement (the “New Equity Pledge Agreement”), pursuant to which the Fuzhou Tianmeng Registered Holders granted Fuzhou Tianji a continuing first priority security interest over their respective equity interest in Fuzhou Tianmeng, representing all of the equity interest in Fuzhou Tianmeng’s registered capital, for the purpose of securing the performance of contractual obligations by Fuzhou Tianmeng under the Fuzhou Tianmeng Structured Contracts. In addition, the Fuzhou Tianmeng Registered Holders agreed to allocate, use or deal with the dividends and other non-cash distributions paid for the equity interest in Fuzhou Tianmeng in any way according to the instruction of Fuzhou Tianji.
- (iii) **Power of Attorney of Mr. Deyang Zheng:** on 28 December 2018, Mr. Deyang Zheng issued a power of attorney (the “Power of Attorney of Mr. Deyang Zheng”), pursuant to which Mr. Deyang Zheng irrevocably authorised the Directors and their successors or the Company’s liquidator to exercise all the shareholders’ rights of Mr. Deyang Zheng in Fuzhou Tianmeng.
- (iv) **Power of Attorney of Mr. Chengfeng Luo:** on 28 December 2018, Mr. Chengfeng Luo issued a power of attorney (the “Power of Attorney of Mr. Chengfeng Luo”, together with the Power of Attorney of Mr. Deyang Zheng, the “New Power of Attorney”), pursuant to which Mr. Chengfeng Luo irrevocably authorised the Directors and their successors or the Company’s liquidator to exercise all the shareholders’ rights of Mr. Chengfeng Luo in Fuzhou Tianmeng.
- (v) **New Exclusive Technical Consulting Service Agreement:** on 28 December 2018, Fuzhou Tianmeng, Fuzhou Tianji and the Fuzhou Tianmeng Registered Holders entered into the exclusive technical consulting service agreement (the “New Exclusive Technical Consulting Service Agreement”), pursuant to which Fuzhou Tianmeng agreed to pay a fee to Fuzhou Tianji in return for Fuzhou Tianji providing exclusive technical consulting services as required by Fuzhou Tianmeng to support its operations. According to the New Exclusive Technical Consulting Service Agreement, unless otherwise agreed by both parties, Fuzhou Tianji would provide technical support and consultation services to Fuzhou Tianmeng, as the consideration, and the technical services fees will be paid on a quarterly basis and equal to Fuzhou Tianmeng’s total revenue deducting all related expenses, costs and taxes payable by Fuzhou Tianmeng.

DIRECTORS' REPORT

- (vi) New Online Game Licensing Agreement: on 28 December 2018, Fuzhou Tianji and Fuzhou Tianmeng entered into the online game licensing agreement (the “New Online Game Licensing Agreement”), pursuant to which Fuzhou Tianji agreed to grant to Fuzhou Tianmeng usage rights on various online game software for operation in the PRC. As the consideration, Fuzhou Tianmeng is required to pay to Fuzhou Tianji (i) an initial licensing fee, payable after the signing date; and (ii) commissions payable on a quarterly basis according to a percentage generally accepted in the market and such commission shall be a fair value.
- (vii) Spouse Undertaking of Mr. Deyang Zheng: on 28 December 2018, the spouse of Mr. Deyang Zheng issued a spouse undertaking (the “Spouse Undertaking of Mr. Deyang Zheng”) to the effect that (i) Mr. Deyang Zheng’s interests in Fuzhou Tianmeng (together with any other interests therein) do not fall within the scope of communal properties; (ii) she has no right to or control over such interests of Mr. Deyang Zheng and will not have any claim on such interest. No authorisation or consent will be needed from her for the performance, amendment or termination of the Fuzhou Tianmeng Structured Contracts by Mr. Deyang Zheng; (iii) she will execute all necessary documents and take all necessary actions to ensure the performance of the Fuzhou Tianmeng Structured Contracts; and (iv) in the event that she obtains any interests in Fuzhou Tianmeng, she will be subject to and abide by the terms of the Fuzhou Tianmeng Structured Contracts, and at the request of Fuzhou Tianji, she will sign any documents in the form and substance consistent with the Fuzhou Tianmeng Structured Contracts.
- (viii) Spouse Undertaking of Mr. Chengfeng Luo: on 28 December 2018, the spouse of Mr. Chengfeng Luo issued a spouse undertaking (the “Spouse Undertaking of Mr. Chengfeng Luo”, together with the Spouse Undertaking of Mr. Deyang Zheng, the “Spouse Undertakings”) to the effect that (i) Mr. Chengfeng Luo’s interests in Fuzhou Tianmeng (together with any other interests therein) do not fall within the scope of communal properties; (ii) she has no right to or control over such interests of Mr. Chengfeng Luo and will not have any claim on such interest. No authorisation or consent will be needed from her for the performance, amendment or termination of the Fuzhou Tianmeng Structured Contracts by Mr. Chengfeng Luo; (iii) she will execute all necessary documents and take all necessary actions to ensure the performance of the Fuzhou Tianmeng Structured Contracts; and (iv) in the event that she obtains any interests in Fuzhou Tianmeng, she will be subject to and abide by the terms of the Fuzhou Tianmeng Structured Contracts, and at the request of Fuzhou Tianji, she will sign any documents in the form and substance consistent with the Fuzhou Tianmeng Structured Contracts.

Please refer to the announcement dated 28 December 2018 for details of the continuing connected transactions relating to the entering into of the Fuzhou Tianmeng Structured Contracts.

The Xinhua Liaokuo Structured Contracts

Xinhua Liaokuo is a domestic company established in China in September 2020 and holds an ICP License, the principal business operation of which includes (i) designing and developing online mobile games; (ii) providing online customer support services to end users in the PRC; and (iii) operating and ongoing maintenance of Chinese versions of developed games in the PRC.

After the analysis of the Group's game operating strategy and in order to extend the game publishing network in the PRC, the Directors believe that the entry into another set of structured contracts is in the best interests of the Company and the Shareholders as a whole. Therefore, in 2020, Hainan Tianzhi, Xinhua Liaokuo and Xinhua Liaokuo Registered Holders entered into the Xinhua Liaokuo Structured Contracts, pursuant to which the financial results of Xinhua Liaokuo would be combined with the Company as if Xinhua Liaokuo were a subsidiary of the Group.

The Xinhua Liaokuo Structured Contracts comprise eight agreements, the details of which are summarised as below:

- (i) Xinhua Liaokuo Call Option Agreement: on 30 October 2020, Hainan Tianzhi, Xinhua Liaokuo and the Xinhua Liaokuo Registered Holders entered into the call option agreement (the "Xinhua Liaokuo Call Option Agreement"), pursuant to which each of the Xinhua Liaokuo Registered Holders irrevocably granted the exclusive right to Hainan Tianzhi or its designee(s) to acquire equity interest in or assets of Xinhua Liaokuo as and when permitted by the PRC laws. The amount of consideration payable by Hainan Tianzhi to the equity holders of Xinhua Liaokuo shall be RMB1.0 or the lowest possible amount permissible under the applicable PRC laws. The Xinhua Liaokuo Registered Holders shall return any consideration they receive in the event that Hainan Tianzhi exercises the call option under the Xinhua Liaokuo Call Option Agreement to acquire equity interest in or assets of Xinhua Liaokuo.
- (ii) Xinhua Liaokuo Pledge Agreement: on 30 October 2020, Hainan Tianzhi and the Xinhua Liaokuo Registered Holders entered into the equity pledge agreement (the "Xinhua Liaokuo Equity Pledge Agreement"), pursuant to which the Xinhua Liaokuo Registered Holders granted Hainan Tianzhi a continuing first priority security interest over their respective equity interest in Xinhua Liaokuo, representing all of the equity interest in Xinhua Liaokuo's registered capital, for the purpose of securing the performance of contractual obligations by Xinhua Liaokuo under the Xinhua Liaokuo Structured Contracts. In addition, the Xinhua Liaokuo Registered Holders agreed to allocate, use or deal with the dividends and other non-cash distributions paid for the equity interest in Xinhua Liaokuo in any way according to the instruction of Hainan Tianzhi.
- (iii) Second Power of Attorney of Mr. Deyang Zheng: on 30 October 2020, Mr. Deyang Zheng issued a power of attorney (the "Second Power of Attorney of Mr. Deyang Zheng"), pursuant to which Mr. Deyang Zheng irrevocably authorised the Directors and their successors or the Company's liquidator to exercise all the shareholders' rights of Mr. Deyang Zheng in Xinhua Liaokuo.
- (iv) Second Power of Attorney of Mr. Chengfeng Luo: on 30 October 2020, Mr. Chengfeng Luo issued a power of attorney (the "Second Power of Attorney of Mr. Chengfeng Luo", together with the Second Power of Attorney of Mr. Deyang Zheng, the "Second Power of Attorney"), pursuant to which Mr. Chengfeng Luo irrevocably authorised the Directors and their successors or the Company's liquidator to exercise all the shareholders' rights of Mr. Chengfeng Luo in Xinhua Liaokuo.

DIRECTORS' REPORT

- (v) Xinhan Liaokuo Exclusive Technical Consulting Service Agreement: on 30 October 2020, Xinhan Liaokuo, Hainan Tianzhi and the Xinhan Liaokuo Registered Holders entered into the exclusive technical consulting service agreement (the “Xinhan Liaokuo Exclusive Technical Consulting Service Agreement”), pursuant to which Xinhan Liaokuo agreed to pay a fee to Hainan Tianzhi in return for Hainan Tianzhi providing exclusive technical consulting services as required by Xinhan Liaokuo to support its operations. According to the Xinhan Liaokuo Exclusive Technical Consulting Service Agreement, unless otherwise agreed by both parties, Hainan Tianzhi would provide technical support and consultation services to Xinhan Liaokuo, as the consideration, and the technical services fees will be paid on a quarterly basis and equal to Xinhan Liaokuo’s total revenue deducting all related expenses, costs and taxes payable by Xinhan Liaokuo.
- (vi) Xinhan Liaokuo Online Game Licensing Agreement: on 30 October 2020, Hainan Tianzhi and Xinhan Liaokuo entered into the online game licensing agreement (the “Xinhan Liaokuo Online Game Licensing Agreement”), pursuant to which Hainan Tianzhi agreed to grant to Xinhan Liaokuo usage rights on various online game software for operation in the PRC. As the consideration, Xinhan Liaokuo is required to pay to Hainan Tianzhi (i) an initial licensing fee, payable after the signing date; and (ii) commissions payable on a quarterly basis according to a percentage generally accepted in the market and such commission shall be a fair value.
- (vii) Second Spouse Undertaking of Mr. Deyang Zheng: on 30 October 2020, the spouse of Mr. Deyang Zheng issued a spouse undertaking (the “Second Spouse Undertaking of Mr. Deyang Zheng”) to the effect that (i) Mr. Deyang Zheng’s interests in Xinhan Liaokuo (together with any other interests therein) do not fall within the scope of communal properties; (ii) she has no right to or control over such interests of Mr. Deyang Zheng and will not have any claim on such interest. No authorisation or consent will be needed from her for the performance, amendment or termination of the Xinhan Liaokuo Structured Contracts by Mr. Deyang Zheng; (iii) she will execute all necessary documents and take all necessary actions to ensure the performance of the Xinhan Liaokuo Structured Contracts; and (iv) in the event that she obtains any interests in Xinhan Liaokuo, she will be subject to and abide by the terms of the Xinhan Liaokuo Structured Contracts, and at the request of Hainan Tianzhi, she will sign any documents in the form and substance consistent with the Xinhan Liaokuo Structured Contracts.
- (viii) Second Spouse Undertaking of Mr. Chengfeng Luo: on 30 October 2020, the spouse of Mr. Chengfeng Luo issued a spouse undertaking (the “Second Spouse Undertaking of Mr. Chengfeng Luo”, together with the Spouse Undertaking of Mr. Deyang Zheng, the “Second Spouse Undertakings”) to the effect that (i) Mr. Chengfeng Luo’s interests in Xinhan Liaokuo (together with any other interests therein) do not fall within the scope of communal properties; (ii) she has no right to or control over such interests of Mr. Chengfeng Luo and will not have any claim on such interest. No authorisation or consent will be needed from her for the performance, amendment or termination of the Xinhan Liaokuo Structured Contracts by Mr. Chengfeng Luo; (iii) she will execute all necessary documents and take all necessary actions to ensure the performance of the Xinhan Liaokuo Structured Contracts; and (iv) in the event that she obtains any interests in Xinhan Liaokuo, she will be subject to and abide by the terms of the Xinhan Liaokuo Structured Contracts, and at the request of Hainan Tianzhi, she will sign any documents in the form and substance consistent with the Xinhan Liaokuo Structured Contracts.

DIRECTORS' REPORT

For the purpose of the Listing, the Company applied to the Stock Exchange, and the Stock Exchange granted a waiver from (i) strict compliance with the announcement and independent Shareholders' approval of the Company, (ii) setting a maximum aggregate annual value under Fuzhou Tianmeng Structured Contracts, and (iii) fixing the terms of Fuzhou Tianmeng Structured Contracts to three years or less, for as long as Shares are listed on the Stock Exchange, subject to numerous conditions as set out in the section headed "Continuing Connected Transactions" of the Prospectus. The Xinhua Liaokuo Structured Contracts are cloned from the Fuzhou Tianmeng Structured Contracts with substantially the same terms. Pursuant to the aforementioned conditions, cloning of structured contracts similar to the Fuzhou Tianmeng Structured Contracts will not be subject to the strict requirements of announcement and shareholders' approval under Chapter 14A of the Listing Rules.

Contribution of the Structured Contracts to the Group

The Directors are of the view that the Group kept the Structured Contracts to maintain presence in the PRC for further development but the business and operation of the Group do not rely on Fuzhou Tianmeng, Xinhua Liaokuo or the Structured Contracts.

The tables below compare the number of games operated, game revenue and assets attributable to Fuzhou Tianmeng and Xinhua Liaokuo during the year ended 31 December 2021:

Number of games operated:

	Developed in-house As at 31 December 2021	Licensed
Fuzhou Tianmeng	1	1
Xinhua Liaokuo	–	–

Game revenue*:

	Revenue attributable to the relevant entity For the year ended 31 December 2021 HK\$' 000	Percentage of the total revenue of the Group %
Fuzhou Tianmeng	301,304	4.98
Xinhua Liaokuo	–	–

* Game revenue is from external customers.

DIRECTORS' REPORT

Assets:

	Assets attributable to the relevant entity As at 31 December 2021 HK\$' 000	Percentage of the total assets of the Group %
Fuzhou Tianmeng	295,674	6.64
Xinhan Liaokuo	373	0.01

On-going reporting and approvals

The Directors confirmed that, as at the date hereof, the Structured Contracts had not been challenged by the relevant authorities in the PRC and the Group had not encountered any interference or encumbrance from any PRC governing bodies in operating their business through Fuzhou Tianmeng and Xinhan Liaokuo under the Structured Contracts.

The Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts:

- The Company confirms that in order to ensure the operation of the Structured Contracts, the Company has reviewed the overall performance and compliance with the Structured Contracts for the year ended 31 December 2021.
- The independent non-executive Directors will review the Structured Contracts annually and confirm in the annual reports that (i) the transactions carried out during such year have been entered into in accordance with relevant terms of the Structured Contracts such that all revenue generated by Fuzhou Tianmeng and Xinhan Liaokuo deducting all related expenses, costs and the taxes payable by them has been retained by the Group; (ii) no dividends or other distributions have been made by Fuzhou Tianmeng and Xinhan Liaokuo to their respective equity interest holders; and (iii) no new contracts or renewed contracts have been entered into on the same terms as the Structured Contracts.
- Major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis.
- The Company will disclose the overall performance and compliance with the Structured Contracts in its annual/interim report to update the Shareholders and potential investors.

DIRECTORS' REPORT

- The Directors will provide periodic updates in the annual/interim reports regarding the qualification requirements as stipulated under the FITE Regulations and the development of laws and regulations on foreign investment, including the latest relevant regulatory development as well as the plan and progress in acquiring the relevant experience to meet these qualification requirements.
- The Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of Fuzhou Tianji, Fuzhou Tianmeng, Hainan Tianzhi and Xinhan Liaokuo to deal with specific issues or matters arising from the Structured Contracts.
- The Company has engaged KPMG as its auditor to perform procedures annually on the transactions contemplated under the Structured Contracts and the auditor will carry out procedures annually to ensure that no dividend has been distributed by Fuzhou Tianmeng and Xinhan Liaokuo to their respective equity holders which was not subsequently assigned or transferred to our Group and relevant transactions have received approval of the Board and were entered into in accordance with the terms of the Structured Contracts.
- Save as disclosed in the annual report and in compliance with the applicable requirements under the Listing Rules, the Group has not renewed and/or reproduced any of the framework of and terms and conditions similar to those of the Structured Contracts in relation to any existing or new wholly foreign-owned enterprise or operating company.
- Each of Fuzhou Tianmeng and Xinhan Liaokuo has provided the Company's management and auditors with full access to relevant records for the purpose of the auditors' performance of review procedures on relevant transactions under the Structured Contracts.

Regulatory Matters in Relation to the Structured Contracts

FITE Regulations

Foreign investment in telecommunications sector is governed by the Regulations on Administration of Foreign Invested Telecommunications Enterprises (外商投資電信企業管理規定) (the "FITE Regulations"), which were promulgated by the State Council on 11 December 2001 and amended on 10 September 2008 and 6 February 2016. Pursuant to the FITE Regulations, a foreign investor must establish a Chinese-foreign equity joint venture with a Chinese partner to invest in telecommunications industry. A foreign-invested telecommunications enterprise, or FITE, is allowed to be engaged in basic telecommunications business and value-added telecommunications business. The foreign investor's ultimate equity holding percentage in a value-added telecommunications business shall not exceed 50% except in E-commerce, domestic multi-party communication, store and forward, call center, which can be operated by a wholly foreign-owned enterprise according to the Special Administrative Measure (Negative List) for the Access of Foreign Investment (2021). In addition, the FITE Regulations require a foreign investor to demonstrate a good track record and prior experience in providing value-added telecommunications services business before it can acquire any equity interest in a value-added telecommunications services business in the PRC (the "Qualification Requirements"). However, as advised by our PRC legal advisers, Jingtian & Gongcheng, as at the date of this report, there are no administrative or implementing rules in the PRC defining the term "a good track record and prior experience". Our PRC legal advisers, Jingtian & Gongcheng, also advised the disclosures in the Prospectus with regard to the qualification requirements on the Group's business stipulated under the provisions on FITE Regulations remain unchanged since the Listing Date and up to the date hereof.

DIRECTORS' REPORT

The Group has been relying on our extensive experience in the overseas online game business operations in an attempt to comply with the Qualification Requirement, so as to be qualified to acquire the entire equity interests in Fuzhou Tianmeng and Xinhua Liaokuo when the restrictions on the percentage of foreign ownership in value-added telecommunication services and on foreign ownership in value-added telecommunication enterprises are lifted. Our PRC legal advisers, Jingtian & Gongcheng, advised that the Company has reasonably assessed the requirements under all applicable rules and committed financial and other resources in light of the Qualification Requirements and that none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements, the above-mentioned measures are currently sufficient to comply with the Qualification Requirements.

Foreign Investment Law

The Foreign Investment Law (外商投資法) (the "FIL"), approved by the second session of the 13th National People's Congress, and the Regulation on the Implementation of the Foreign Investment Law (外商投資法實施條例) (the "FIL Implementation Regulation"), promulgated by the State Council, have come into effect on 1 January 2020.

According to the FIL, the investment in China directly or indirectly by foreign natural persons, enterprises or other organisations ("Foreign Investors") is defined as foreign investment ("Foreign Investment"), which includes the following situations: (1) Foreign Investors alone or cooperate with other investors to establish foreign-invested enterprises; (2) Foreign Investors acquire shares, equities, property shares or other similar rights of Chinese domestic enterprises; (3) Foreign Investors alone or cooperate with other investors invest projects in China; (4) other means of investment prescribed by laws, administrative regulations and rules promulgated by the State Council. According to Jingtian & Gongcheng, our PRC legal advisers, the FIL and the FIL Implementation Regulation don't clearly stipulate whether the Structured Contracts are a form of Foreign Investment.

In accordance with the existing provisions of the FIL and the FIL Implementation Regulation and if the laws, administrative regulations and the State Council do not include the Structured Contracts as a form of Foreign Investment, the Structured Contracts will not be materially affected. However, in view of the provisions of the above-mentioned situation (4) of Foreign Investment in the FIL, it is not excluded that the Structured Contracts may be regarded as a form of Foreign Investment according to laws, administrative regulations or rules promulgated by the State Council in the future. In this regard, the Company cannot guarantee that the Structured Contracts and the operations of Fuzhou Tianmeng and Xinhua Liaokuo will not be materially and adversely affected by changes in PRC laws and regulations in the future.

DIRECTORS' REPORT

Since the FIL and the FIL Implementation Regulation do not clarify whether the Structured Contracts are a form of Foreign Investment, the Company believes that it may not be appropriate at this stage to formulate specific measures to avoid the Structured Contracts being recognised as a form of Foreign Investment under the FIL. If the Structured Contracts is recognised as a form of Foreign Investment in the future, and there is no special provision for the Structured Contracts that allows Fuzhou Tianmeng and Xinhan Liaokuo, provided that certain conditions are met, to continue to carry out relevant foreign investment restricted or prohibited businesses, the Company might be requested to dispose of its interests in Fuzhou Tianmeng and Xinhan Liaokuo. The appropriate risk factors had already been disclosed in the paragraph headed "Risks And Limitations Relating To The New VIE Structure – There is no assurance that the contractual arrangements between Fuzhou Tianji and Fuzhou Tianmeng will be deemed to be in compliance with existing or future PRC laws and regulations" in the announcement of the Company dated 28 December 2018.

The Company confirms that if the Structured Contracts are required to be unwind or the Company is required to dispose of the interests in Fuzhou Tianmeng and Xinhan Liaokuo in the future, it can engage other domestic publishers with the due qualifications and licenses to operate its online games in the PRC, which may adversely affect the Group's operational and financial performance because engaging other domestic publishers may impose more costs to the Group. However, the Company expects that such adverse impact on the Group's operational and financial performance will not be material considering that (1) the revenue and assets attributable to the Structured Contracts are about 4.98% and 6.65% respectively, and (2) there is no legal obstacle for Fuzhou Tianmeng and Xinhan Liaokuo to transfer their respective assets to Fuzhou Tianji, Hainan Tianzhi or IGG Singapore, as the case maybe, a subsidiary of the Group.

Confirmation of independent non-executive Directors

The independent non-executive Directors have reviewed the Structured Contracts (collectively referred to as the "Continuing Connected Transactions") and confirmed that during the year ended 31 December 2021:

- (i) the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Company;
- (ii) as appropriate, the Continuing Connected Transactions are on normal commercial terms or, on terms no less favourable to the Company than terms available to or from Independent Third Parties;
- (iii) the Continuing Connected Transactions have been entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (iv) the Continuing Connected Transactions carried out during the Year have been entered into in accordance with relevant terms of the Structured Contracts such that all revenue generated by Fuzhou Tianmeng and Xinhan Liaokuo deducting all related expenses, costs and the taxes payable by them has been retained by the Group; no dividends or other distributions have been made by Fuzhou Tianmeng and Xinhan Liaokuo to their respective equity interest holders; and no new contracts or renewed contracts have been entered into on the same terms as the Structured Contracts.

DIRECTORS' REPORT

Confirmation of auditor of the Company

KPMG, the Company's auditor, were engaged to report on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "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.

After performing the procedure related to Continuing Connected Transactions, KPMG confirmed that:

- a. nothing has come to their attention that causes them to believe that the disclosed Continuing Connected Transactions have not been approved by the Board.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the disclosed Continuing Connected Transactions were not, in all material respects, in accordance with the pricing policies of the Company.
- c. nothing has come to their attention that causes them to believe that the disclosed Continuing Connected Transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- d. nothing has come to their attention that causes them to believe that dividend or other distribution was made by Fuzhou Tianmeng and Xinhan Liaokuo to their respective equity holders.

KPMG have issued their letter containing their findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

EMPLOYEES

Emolument Policy

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically.

DIRECTORS' REPORT

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics. Details of Directors' remuneration and five individuals with highest emoluments are set out in notes 8 and 9 to the consolidated financial statements.

The Company has adopted the Pre-IPO Share Option Scheme, the Share Option Scheme, the Share Award Scheme and the Performance-based Share Award Scheme to motivate and reward Directors and eligible employees. Details of the schemes are set out in the paragraphs headed "Pre-IPO Share Option Scheme", "Share Option Scheme", "Share Award Scheme" and "Performance-based Share Award Scheme" in this report and note 24 to the consolidated financial statements. None of the directors waived any emoluments during the year ended 31 December 2021.

Pension Scheme

Particulars of the pension scheme of the Group are set out in note 23 to the consolidated financial statements.

Key Relationship

Employees are regarded as the most important and valuable assets of the Group. The objectives of the Group's human resource management are to: (i) reward and recognise performing staff by providing a fair, efficient and competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, (ii) build a sense of belongings among employees by offering them a better working environment, and (iii) promote career development and progression through offering on-job training to employees and providing opportunities within the Group for career advancement.

For further details, please refer to the section headed "Corporate Social Responsibility Report – 6 Caring for Employees" in this report.

MAJOR CUSTOMERS AND SUPPLIERS

The customers of the Group primarily consist of hundreds of millions of individual players and licensees of our games. The Group provides customer services for each of the games offered by the Group to cater to the needs of the players. The Group has also adopted various means to strengthen the communication between the players and the Group, including customer service support via live in-game chat, online support or email all year around. The five largest customers of the Group during the year ended 31 December 2021 only accounted for 0.3% of the Group's total revenue.

The Group's suppliers primarily include advertising service providers, payment service providers, licensors of games, and server, data center and bandwidth providers. The Group maintains sound relationships with these suppliers and receives professional and value-added services from them. Most of the key service providers have ongoing business relationship with the Group for years. The largest and five largest suppliers of the Group during the year ended 31 December 2021 accounted for 23.2% and 59.7% of the Group's total purchases respectively.

DIRECTORS' REPORT

So far as is known to the Directors, at no time during the year ended 31 December 2021 did a Director, his/her 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.

BANK LOAN AND OTHER BORROWINGS

The Group did not record any bank loans or other borrowings as at 31 December 2021.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of Cayman Islands where the Company is incorporated applicable to the Company.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2021 as set out in the section headed "Management Discussion and Analysis – Business Review" in this annual report is expressly included in this report and forms part of this directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has engaged professional service firms for advices regarding compliance matters with various jurisdictions which the Group's subsidiaries operate, such as compliance with the Listing Rules and other regulatory requirements issued or required by the Stock Exchange and Securities and Futures Commission, the anti-corruption laws and the privacy and personal data protection laws. The Group also keeps a close watch on any new laws or regulatory changes.

During the year ended 31 December 2021 and up to the date of this report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

BUSINESS RISKS AND RISK MANAGEMENT

The Board acknowledges its responsibility for the effectiveness of the risk management and internal control systems of the Group, which are designed to manage the risk of failure to achieve objectives and provide reasonable assurance against material misstatement or loss. When conducting business activities globally, the Group is exposed to a variety of key risks. Management team of the Group regularly monitors and updates risk profile and exposure and report to the audit committee regarding the effectiveness of the Group's system of internal control in mitigating risks.

DIRECTORS' REPORT

Business Risk

The Group conducts business globally and faces business risks includes reputation risks, investment and acquisition risks, taxation risks and corporate responsibility and sustainability risks. The Board meets regularly and reviews the investment and expansion strategies, business plan, financial results, and key performance indicators of the Group to ensure that the business risks are controlled and managed, and potential risks can be identified.

Financial Risk

The Group has adopted financial risk management policies to control the Group's financial risk exposure, such as taxation risks, currency risks and financial reporting risks. Also, the Board monitors the financial results and key operating statistics with the assistance of the Group's internal financial reporting department on a monthly basis.

Compliance Risk

The Group has adopted internal procedures to monitor the Group's compliance risk to ensure that the Group's compliance with the laws and regulations in regions which the Group conducts business. In addition, the Group from time to time engages consulting firms and professional advisers to keep the Group updated with the latest development in the regulatory environments.

Operational Risk

The Group has adopted procedures to manage its operational risk exposures, such as human resources risks and IT governance risks. The Group monitors the overall employee turnover rate, degree of satisfaction, and IT system status on a monthly basis, and adopts countermeasures if any risk indicators arise.

ENVIRONMENTAL PROTECTION

The Group is committed to acting in an environmentally responsible manner. To encourage sustainable use of resources, the Group has adopted initiatives of reducing energy consumption and recycling consumables such as computer hardware, paper and other consumables.

The Group's business activities do not involve any significant industrial and environmental pollution since the Group is not engaged in any manufacturing activities. The Group has awarded a construction contract to a contractor, The First Company of China Eighth Engineering Division Ltd.* (中建八局第一建设有限公司), and will be constructing office building(s) on the Land, details of which are set out in the section headed "Directors' Report – Important Events Since the Year End". The construction contract has imposed obligations on the contractor to observe environmental protection measures. The Group will closely monitor the construction progress and remain alert to regulatory changes in countries where it is present.

Details of the environmental protection activities of the Group for the Year are set out in the section headed "Corporate Social Responsibility Report – 8 Green Operation".

DIRECTORS' REPORT

IMPORTANT EVENTS SINCE THE YEAR END

On 18 January 2022, Fuzhou Tianping, an indirect wholly-owned subsidiary of the Company, entered into a letter of award with The First Company of China Eighth Engineering Division Ltd.* (中建八局第一建设有限公司) ("Contractor"), pursuant to which Fuzhou Tianping has awarded a construction contract to the Contractor with a contract sum of RMB422,302,925 (equivalent to approximately HK\$515,003,567) in respect of the construction of office building(s) on the Land located in Jin'an District, Fuzhou, the PRC. A definitive construction agreement was entered into subsequent to the entry of the letter of award on the same day. As of the report date, the construction work is at the stage of pile foundation and is expected to be completed in February 2024. Please refer to the announcement of the Company dated 18 January 2022 for further details.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Listing Rules for the year ended 31 December 2021 and up to the date hereof.

AUDITOR

The consolidated financial statements for the financial year ended 31 December 2021 have been audited by KPMG who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment will be proposed at the forthcoming annual general meeting. The Company did not change its auditor over the past three years.

On behalf of the Board

Zongjian Cai

Chairman

Hong Kong, 28 March 2022

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of IGG Inc

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of IGG Inc ("the Company") and its subsidiaries ("the Group") set out on pages 117 to 207, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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 ("HKSAAs") 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") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

Revenue recognition and computation of deferred revenue	
<i>Refer to notes 3, 4 and 26 to the consolidated financial statements and the accounting policies in note 2(r)(i).</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Group generates revenue from its self-developed online games by operating the games under a free to play model while providing the players with the option to purchase Premium Gaming Resources for cash. Premium Gaming Resources are virtual items within the game that can be used to provide the players with additional abilities to enhance their game-playing experience. Players pay for Premium Gaming Resources using payment platforms such as Google Play and Apple App Store. These third-party payment platforms are entitled to service fees which are withheld and deducted from the gross proceeds collected from the players, with the net amounts remitted to the Group.</p> <p>Revenues from the Premium Gaming Resource are recognised ratably over the period the paying players are expected to benefit from an enhanced in-game experience associated with each purchase. The Group estimates the length of this period on a game-by-game basis. Management has arrived at this judgement after taking into account game profile, paying player behavior patterns, and the rights of the players within the games to benefit from the Premium Gaming Resources.</p>	<p>Our audit procedures to assess the recognition of revenue and computation of deferred revenue included the following:</p> <ul style="list-style-type: none"> • assessing the design, implementation and operating effectiveness of management's key internal controls over the completeness, existence, accuracy of revenue, with our internal information technology risk management specialists involved to assess the relevant general and automated information technology controls; • inspecting the purchase patterns of the Premium Gaming Resource of the games which individually generate material amounts of revenue to the Group, and the terms of service provided to players by the Group, to understand the terms of the sale on Premium Gaming Resources, including the obligations of the Group derived from the sales of Premium Gaming Resources, and to assess the Group's revenue recognition criteria with reference to the requirements of the prevailing accounting standards; • assessing the assumptions and judgements made by the management for the length of the period on selected types of games, on a sample basis, by performing a retrospective review of the historical accuracy of these estimates;

INDEPENDENT AUDITOR'S REPORT

Revenue recognition and computation of deferred revenue	
<i>Refer to notes 3, 4 and 26 to the consolidated financial statements and the accounting policies in note 2(r)(i).</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>At each reporting date, the unamortised portion of income received in respect of Premium Gaming Resource is recognised as deferred revenue.</p> <p>We identified revenue recognition and the computation of deferred revenue as a key audit matter because revenue is one of the key performance indicators of the Group and because there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.</p>	<ul style="list-style-type: none"> obtaining monthly settlement statements sent by the payment platforms to the Group and the bank-in slips on a sample basis, comparing the settlement amounts on the statements to bank-in slips and reconciling the settlement amounts in the statements to the amounts recorded in the books and records of the Group, and assessing if the reconciling items have been accounted for in accordance with the requirements of the prevailing accounting standards; and recalculating the Group's revenue and deferred revenue with reference to the major estimations and assumptions and comparing the results to the revenue and deferred revenue as at the end of the financial reporting period.

INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAAs 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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Liu Hin Pan.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

28 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2021

	Note	2021 HK\$' 000	2020 HK\$' 000 (Restated) (Note 2(b)(i))
Revenue	4	6,050,894	5,464,035
Cost of revenue		<u>(1,852,808)</u>	<u>(1,648,596)</u>
Gross profit		4,198,086	3,815,439
Other net (losses)/gains	5	(31,130)	995,854
Selling and distribution expenses		(1,953,129)	(1,436,566)
Administrative expenses		(447,829)	(358,853)
Research and development expenses		<u>(1,253,767)</u>	<u>(689,959)</u>
Profit from operations		512,231	2,325,915
Finance costs	6(b)	(5,976)	(3,465)
Share of results of associates and joint ventures		<u>(60,038)</u>	<u>(17,922)</u>
Profit before taxation	6	446,217	2,304,528
Income tax expenses	7(a)	<u>(76,605)</u>	<u>(207,746)</u>
Profit for the year		<u>369,612</u>	<u>2,096,782</u>
Attributable to:			
Equity shareholders of the Company		370,438	2,097,015
Non-controlling interests		<u>(826)</u>	<u>(233)</u>
Profit for the year		<u>369,612</u>	<u>2,096,782</u>
Earnings per share (in HK\$ per share)	10		
Basic		<u>0.3158</u>	<u>1.7252</u>
Diluted		<u>0.3127</u>	<u>1.7040</u>

The notes on pages 124 to 207 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27(b).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	2021 HK\$' 000	2020 HK\$' 000 (Restated) (Note 2(b)(i))
Profit for the year	<u>369,612</u>	<u>2,096,782</u>
Other comprehensive income for the year, after tax		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>45,466</u>	<u>51,264</u>
Total comprehensive income for the year	<u><u>415,078</u></u>	<u><u>2,148,046</u></u>
Attributable to:		
Equity shareholders of the Company	415,904	2,148,279
Non-controlling interests	<u>(826)</u>	<u>(233)</u>
Total comprehensive income for the year	<u><u>415,078</u></u>	<u><u>2,148,046</u></u>

The notes on pages 124 to 207 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021

	Note	31 December 2021 HK\$' 000	31 December 2020 HK\$' 000 (Restated) (Note 2(b)(i))	1 January 2020 HK\$' 000 (Restated) (Note 2(b)(i))
Non-current assets				
Property, plant and equipment	11	427,807	334,308	336,861
Intangible assets	12	12,148	15,876	5,154
Land use rights	13	249,645	–	–
Other non-current assets	14	215,231	153,374	19,879
Interests in associates and joint ventures	16	487,407	402,975	34,383
Other financial assets	17	534,088	1,260,633	556,094
Deferred tax assets	25(b)	30,349	2,008	976
Total non-current assets		1,956,675	2,169,174	953,347
Current assets				
Inventories		2,326	1,834	2,473
Trade and other receivables	18	59,754	39,344	42,316
Prepayments		58,137	67,047	54,590
Funds receivable	19	420,931	425,135	262,928
Restricted deposits		6,398	5,926	3,931
Cash and cash equivalents	20	1,949,971	2,172,658	2,391,486
Total current assets		2,497,517	2,711,944	2,757,724
Current liabilities				
Trade and other payables	21	524,983	333,235	258,570
Lease liabilities	22	86,127	38,333	29,315
Tax payable	25(a)	216,325	329,003	246,206
Deferred revenue	26	232,660	266,497	196,346
Total current liabilities		1,060,095	967,068	730,437
Net current assets		1,437,422	1,744,876	2,027,287
Total assets less current liabilities		3,394,097	3,914,050	2,980,634

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021

	Note	31 December 2021 HK\$' 000	31 December 2020 HK\$' 000 (Restated) (Note 2(b)(i))	1 January 2020 HK\$' 000 (Restated) (Note 2(b)(i))
Non-current liabilities				
Lease liabilities	22	72,781	50,647	59,345
Deferred tax liabilities	25(b)	7,860	5,216	3,987
Total non-current liabilities		80,641	55,863	63,332
NET ASSETS		3,313,456	3,858,187	2,917,302
CAPITAL AND RESERVES				
Share capital	27(c)	23	23	24
Reserves		3,313,433	3,858,397	2,917,278
Total equity attributable to equity shareholders of the Company		3,313,456	3,858,420	2,917,302
Non-controlling interests		–	(233)	–
TOTAL EQUITY		3,313,456	3,858,187	2,917,302

Approved and authorised for issue by the board of directors on 28 March 2022.

Zongjian Cai
Director

Jessie Shen
Director

The notes on pages 124 to 207 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

Attributable to equity shareholders of the Company												
Note	Share capital	Share premium	Share-based payment reserve	Shares		Statutory reserve	Other reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
				held for share award scheme	Shares repurchased for cancellation							
	(note 27(c))	(note 27(d)(i))	(note 27(d)(ii))	(note 27(d)(i))	(note 27(d)(ii))	(note 27(d)(iv))	(note 27(d)(iii))					
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
	(Note 2(b)(i))	(Note 2(b)(i))	(Note 2(b)(i))	(Note 2(b)(i))	(Note 2(b)(i))	(Note 2(b)(i))	(Note 2(b)(i))	(Note 2(b)(i))	(Note 2(b)(i))	(Note 2(b)(i))	(Note 2(b)(i))	(Note 2(b)(i))
Balance at 1 January 2020	24	177,899	76,809	(133,182)	(4,518)	683	27,001	(51,843)	2,824,429	2,917,302	-	2,917,302
Changes in equity for the year ended 31 December 2020:												
Profit for the year	-	-	-	-	-	-	-	-	2,097,015	2,097,015	(233)	2,096,782
Other comprehensive income	-	-	-	-	-	-	-	51,264	-	51,264	-	51,264
Total comprehensive income	-	-	-	-	-	-	-	51,264	2,097,015	2,148,279	(233)	2,148,046
Equity-settled share-based payment	-	-	24,650	-	-	-	-	-	-	24,650	-	24,650
Shares purchased for the share award scheme	27(c)	-	-	(23,994)	-	-	-	-	-	(23,994)	-	(23,994)
Repurchase of ordinary shares	27(c)	-	-	-	(389,072)	-	-	-	-	(389,072)	-	(389,072)
Cancellation of ordinary shares	27(c)	(1)	(188,607)	-	341,955	-	-	-	(153,347)	-	-	-
Exercise of share options	27(c)	-*	6,681	(2,426)	-	-	-	-	-	4,255	-	4,255
Vesting of awarded shares	27(c)	-	4,027	(24,400)	20,373	-	-	-	-	-	-	-
Dividends received for share award scheme		-	-	-	-	-	13,912	-	-	13,912	-	13,912
2019 second interim dividend paid	27(b)(ii)	-	-	-	-	-	-	-	(219,556)	(219,556)	-	(219,556)
2020 first interim dividend and special dividend paid	27(b)(i)	-	-	-	-	-	-	-	(617,356)	(617,356)	-	(617,356)
Balance at 31 December 2020	23	-	74,633	(136,803)	(51,635)	683	40,913	(579)	3,931,185	3,858,420	(233)	3,858,187

* These amounts represent amounts less than HK\$1,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

Note	Attributable to equity shareholders of the Company											
	Share capital (note 27(c)) HK\$' 000	Share premium (note 27(d)(i)) HK\$' 000	Share-based payment reserve (note 27(d)(ii)) HK\$' 000	Shares held for share award scheme HK\$' 000	Shares repurchased for cancellation HK\$' 000	Statutory reserve HK\$' 000	Other reserve (note 27(d)(iv)) HK\$' 000	Exchange reserve (note 27(d)(iii)) HK\$' 000	Retained earnings HK\$' 000	Total HK\$' 000	Non-controlling interests HK\$' 000	Total equity HK\$' 000
Balance 31 December 2020 (Restated) (Note 2(b)(i))	23	-	74,633	(136,803)	(51,635)	683	40,913	(579)	3,931,185	3,858,420	(233)	3,858,187
Changes in equity for the year ended 31 December 2021:												
Profit for the year	-	-	-	-	-	-	-	-	370,438	370,438	(826)	369,612
Other comprehensive income	-	-	-	-	-	-	-	45,466	-	45,466	-	45,466
Total comprehensive income	-	-	-	-	-	-	-	45,466	370,438	415,904	(826)	415,078
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,059	1,059
Equity-settled share-based payment	-	-	82,426	-	-	-	-	-	-	82,426	-	82,426
Shares purchased for the share award scheme	27(c)	-	-	(188,442)	-	-	-	-	-	(188,442)	-	(188,442)
Repurchase of ordinary shares	27(c)	-	-	-	(61,628)	-	-	-	-	(61,628)	-	(61,628)
Cancellation of ordinary shares	27(c)	-*	(12,307)	-	113,263	-	-	-	(100,956)	-	-	-
Exercise of share options	27(c)	-*	8,360	(3,124)	-	-	-	-	-	5,236	-	5,236
Vesting of awarded shares	27(c)	-	3,947	(27,531)	23,584	-	-	-	-	-	-	-
Appropriation to statutory reserves		-	-	-	-	217	-	-	(217)	-	-	-
Dividends received for share award scheme		-	-	-	-	-	15,182	-	-	15,182	-	15,182
2020 second interim dividend and special dividend paid	27(b)(ii)	-	-	-	-	-	-	-	(640,500)	(640,500)	-	(640,500)
2021 first interim dividend paid	27(b)(i)	-	-	-	-	-	-	-	(173,142)	(173,142)	-	(173,142)
Balance at 31 December 2021	23	-	126,404	(301,661)	-	900	56,095	44,887	3,386,808	3,313,456	-	3,313,456

* These amounts represent amounts less than HK\$1,000.

The notes on pages 124 to 207 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2021

	Note	2021 HK\$' 000	2020 HK\$' 000 (Restated) (Note 2(b)(i))
Operating activities			
Cash generated from operations	20(b)	850,600	1,372,627
Income tax paid		(196,416)	(94,417)
Interest received		6,079	13,849
Net cash generated from operating activities		660,263	1,292,059
Investing activities			
Payments for the purchases of property, plant and equipment and intangible assets		(128,344)	(32,442)
Prepayment for the acquisition of office premises		(142,396)	–
Payments for the acquisition of land use rights		(122,225)	(126,700)
Dividends received from unquoted equity investments		37,677	16,686
Proceeds from disposal of property, plant and equipment and intangible assets		25	159
Payments for acquisitions of other financial assets		(273,385)	(65,142)
Proceeds from disposal of other financial assets		1,001,274	334,070
Proceeds from disposal of an associate and a joint venture		365	–
Investments in associates and joint ventures		(160,587)	(384,488)
Net cash generated from/(used in) investing activities		212,404	(257,857)
Financing activities			
Capital element of lease rentals paid	20(c)	(62,624)	(29,489)
Interest element of lease rentals paid	20(c)	(5,976)	(3,465)
Dividends paid		(798,460)	(823,000)
Payments for repurchase of shares		(61,628)	(389,072)
Payments for purchase of shares for share award scheme		(188,442)	(23,994)
Proceeds from exercise of share options	27	5,236	4,255
Net cash used in financing activities		(1,111,894)	(1,264,765)
Net change in cash and cash equivalents		(239,227)	(230,563)
Cash and cash equivalents at 1 January	20(a)	2,172,658	2,391,486
Effect of foreign exchange rate changes		16,540	11,735
Cash and cash equivalents at 31 December	20(a)	1,949,971	2,172,658

The notes on pages 124 to 207 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1 CORPORATE AND GROUP INFORMATION

IGG Inc (the “Company”) was incorporated in the Cayman Islands on 16 August 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered address of the Company is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. The shares of the Company were listed on the GEM of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 18 October 2013. The shares of the Company were transferred to the Main Board of the Stock Exchange on 7 July 2015.

The principal activity of the Company is investment holding. The Group was principally engaged in the development and operation of online games in the international market. There has been no significant change in the Group’s principal activities during the year.

In the opinion of the directors of the Company, as of the date of this report, there were no controlling shareholders for the Company.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards and International Accounting Standards (“IASs”) issued by the International Accounting Standard Board (“IASB”). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates and joint ventures.

In order to comply with PRC law restricting foreign ownership in the value-added telecommunications in Mainland China, or foreign ownership prohibitions on Internet content and information services, the Group currently is operating its online games business in Mainland China through Fuzhou Skyunion Digital Co., Ltd. (“Fuzhou Tianmeng”), and Hainan Xinhan Liaokuo Network Technology Co., Ltd. (“Hainan Xinhan Liaokuo”), structured entities.

In November 2007, certain structured contracts (“Previous Structured Contracts”) became effective among Fuzhou Tianmeng, Fuzhou TJ Digital Entertainment Co., Ltd. (“Fuzhou Tianji”), Mr. Zongjian Cai and Mr. Yuan Chi (the “Original Registered Holders”) who were the former legal shareholders of Fuzhou Tianmeng and also the core founders of the Company.

The Previous Structured Contracts provided the Group through Fuzhou Tianji with effective control over Fuzhou Tianmeng. In particular, Fuzhou Tianji undertook to provide Fuzhou Tianmeng with certain technical services as required to support their operations. In return, the Group was entitled to substantially all of the operating profits and residual benefits generated by Fuzhou Tianmeng through intercompany charges levied on these services rendered. The Original Registered Holders were also required to transfer their interests in Fuzhou Tianmeng to the Group or the Group’s designee upon a request made by the Group when permitted by the PRC laws for a consideration, as permitted under the PRC laws. The ownership interests in Fuzhou Tianmeng had also been pledged by the Original Registered Holders to the Group in respect of the continuing obligations of Fuzhou Tianmeng. Fuzhou Tianji intent continuously to provide to or assist Fuzhou Tianmeng in obtaining financial support when deemed necessary. Accordingly, the Group had rights to variable returns from its involvement with Fuzhou Tianmeng and had the ability to affect those returns through its power over Fuzhou Tianmeng.

On 28 December 2018, Mr. Zongjian Cai and Mr. Yuan Chi transferred their shareholdings in Fuzhou Tianmeng respectively to Mr. Deyang Zheng and Mr. Chengfeng Luo (the “Fuzhou Tianmeng Registered Holders”). On the same day, a series of new structured contracts (“Fuzhou Tianmeng Structured Contracts”) became effective among Fuzhou Tianmeng, Fuzhou Tianji and the Fuzhou Tianmeng Registered Holders. The Fuzhou Tianmeng Structured Contracts are substantially on the same terms as the Previous Structured Contracts except for the identity of the registered holders. The Fuzhou Tianmeng Structured Contracts also provide the Group with the rights to variable returns from its involvement with Fuzhou Tianmeng. The change of registered holders does not affect the Group’s control over Fuzhou Tianmeng.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

In October 2020, certain structured contracts (“Xinhan Liaokuo Structured Contracts”) became effective among Hainan Xinhan Liaokuo, Hainan Tianzhi Network Technology Co., Ltd. (“Hainan Tianzhi”), Mr. Deyang Zheng and Mr. Chengfeng Luo (the “Xinhan Liaokuo Registered Holders”) who were the legal shareholders of Hainan Xinhan Liaokuo.

The Xinhan Liaokuo Structured Contracts provided the Group through Hainan Tianzhi with effective control over Hainan Xinhan Liaokuo. In particular, Hainan Tianzhi undertook to provide Hainan Xinhan Liaokuo with certain technical services as required to support their operations. In return, the Group was entitled to substantially all of the operating profits and residual benefits generated by Hainan Xinhan Liaokuo through intercompany charges levied on these services rendered. The Xinhan Liaokuo Registered Holders were also required to transfer their interests in Hainan Xinhan Liaokuo to the Group or the Group’s designee upon a request made by the Group when permitted by the PRC laws for a consideration, as permitted under the PRC laws. The ownership interests in Hainan Xinhan Liaokuo had also been pledged by the Xinhan Liaokuo Registered Holders to the Group in respect of the continuing obligations of Hainan Xinhan Liaokuo. Hainan Tianzhi intent continuously to provide to or assist Hainan Xinhan Liaokuo in obtaining financial support when deemed necessary. Accordingly, the Group had rights to variable returns from its involvement with Hainan Xinhan Liaokuo and had the ability to affect those returns through its power over Hainan Xinhan Liaokuo.

As a result, Fuzhou Tianmeng and Hainan Xinhan Liaokuo were accounted for as subsidiaries of the Company.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain financial instruments which have been measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

(i) *Change in presentation currency*

The functional currency of the Company is United States dollars (“US\$”). These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The Group had changed its presentation currency from US\$ to HK\$ for the preparation of its consolidated financial statements for the year ended 31 December 2021.

Having considered that the shares of the Company are listed on the Stock Exchange, the Board believes it is more appropriate to adopt HK\$ as its presentation currency for the Group’s consolidated financial statements. Furthermore, the Board considers that the change of presentation currency enables the shareholders and potential investors of the Company to have a more accurate picture of the Group’s financial performance.

The change in presentation currency has been applied retrospectively. The comparative figures in these condensed consolidated financial information were translated from US\$ to HK\$ using applicable averages rates that approximated to actual rates for items in the consolidated statement of profit and loss and applicable closing rates for items in consolidated statement of financial position.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*
- Amendments to IFRS 16, *COVID-19-related rent concessions beyond 30 June 2021*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendment to IFRS 16, COVID-19-related rent concessions beyond 30 June 2021 (2021 amendment)

The Group previously applied the practical expedient in IFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met (see note 2(j)). One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 11(b)). There is no impact on the opening balance of equity at 1 January 2021.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of investments in associates or joint ventures (see note 2(e)).

In the Company's statement of financial position, investments in subsidiaries are accounted under the equity method.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(k)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the ECL model to such other long-term interests where applicable (see note 2(k)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint ventures (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)).

In the Company's statement of financial position, investments in associates and joint ventures are accounted under the equity method.

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 28(f). These investments are subsequently accounted for as follows, depending on their classification.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Other investments in debt and equity securities (Continued)

(i) *Investments other than equity investments*

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(r)(iii)).
- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) *Equity investments*

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(r)(ii).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(k)(ii)):

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	depreciation rate of 3%
Right-of-use assets: office premises	2 – 8 years
Leasehold improvements	The lease terms
Computer equipment	3 years
Office equipment and furniture	3 years
Motor vehicles	5 years

Except for the above categories, freehold land and others are not depreciated.

Both the useful life of an asset and its residual value, if any, are reviewed annually.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Intangible assets

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(k)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- | | |
|---|----------------|
| – Licenses | License period |
| – Trademarks and domain names, software and copyright | 3 – 5 years |

Both the period and method of amortisation are reviewed annually.

(i) Land use rights

Land use rights are measured at cost, less any accumulated amortisation and any impairment losses. Land use rights are amortised on a straight-line basis over the unexpired term of lease.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(g) and 2(k)(ii)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

As a lessee (Continued)

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets and measured at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

The Group presents right-of-use assets in 'property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

(k) Credit losses and impairment of assets

(i) *Credit losses from financial instruments*

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables and funds receivable).

Other financial assets measured at fair value, including equity and debt securities measured at FVPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) *Credit losses from financial instruments* (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Loss allowances for trade receivables and funds receivable are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is past due. 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.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) *Credit losses from financial instruments* (Continued)

Significant increases in credit risk (Continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(ii) *Impairment of other non-current assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- land use rights;
- intangible assets; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Credit losses and impairment of assets (Continued)

(ii) *Impairment of other non-current assets* (Continued)

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) *Interim financial reporting and impairment*

Under the Rule Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(k)(i) and 2(k)(ii)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 2(k)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECLs) in accordance with the policy set out in note 2(k)(i).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Employee benefits

(i) *Defined contribution retirement plans*

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in various jurisdictions where the Group's subsidiaries operate are recognised as an expense in profit or loss as incurred.

The Group's subsidiaries participate in several defined contribution retirement benefit schemes organised by local government authorities whereby the Group is required to make contributions to at applicable rates of the eligible employees' salaries. The Group's liability in respect of these plans is limited to the contributions payable at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee benefits (Continued)

(ii) *Share-based payments*

The fair values of share options and shares granted to employees are recognised as employee costs with corresponding increases in a capital reserve within equity. The fair values are measured at grant date using (a) in respect of share options, the binomial lattice model taking into account the terms and conditions upon which the options were granted; and (b) in respect of awarded shares, the market price of the Company's shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options or awarded shares, the total estimated fair values of the options and awarded shares are spread over the vesting period, taking into account the probability that the options and awarded shares will vest.

During the vesting period, the number of share options and awarded shares that are expected to be vested is reviewed. Any resulting adjustments to the cumulative fair value recognised in prior years are charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with corresponding adjustments to the capital reserve. On vesting date, the amounts recognised as expenses are adjusted to reflect the actual number of options and awarded shares that vest (with corresponding adjustments to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amounts are recognised in the share-based payment reserve until (a) in respect of share options, either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained earnings); and (b) in respect of awarded shares, the awarded share is vested (when it is transferred to the share premium account).

As disclosed in note 24 to the financial statements, the Group has set up the Share Award Scheme Trust for the share award scheme, where the Share Award Scheme Trust purchases shares issued by the Group. The consideration paid by the Company, including any directly attributable incremental costs, is presented as "Shares held for share award scheme" and deducted from the Group's equity.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Income tax (Continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Provisions and contingent liabilities

Provisions are recognised when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(r) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled. Revenue excludes value added tax and is after deduction of any chargebacks.

(i) *Online game revenue*

The Group primarily operates its online games under free to play model. Players can purchase Premium Gaming Resource (e.g. virtual items) to enhance their game-playing experience. Players can pay for Premium Gaming Resource using different payment platforms such as Google Play and Apple App Store. These third-party payment platforms are entitled to service fees which are withheld and deducted from the gross proceeds collected from the players, with the net amounts remitted to the Group. These service fees are commonly referred to as channel costs. The Group recognises revenue on a gross basis given it is the principal in these transactions, and records the channel cost under cost of revenue in the consolidated statement of profit or loss.

Revenues from the Premium Gaming Resource are recognised ratably over the period the paying players are expected to benefit from an enhanced in-game experience associated with each purchase. At each reporting date, the unamortised portion of income received in respect of Premium Gaming Resource is recognised as deferred revenue.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Revenue and other income (Continued)

(ii) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(iv) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

(s) Translation of foreign currencies

These financial statements are presented in Hong Kong dollars, while the Company's functional currency is United States Dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Translation of foreign currencies (Continued)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's type of goods or services delivered or provided.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

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

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 2. The Group believes the following accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

Estimation of the length of period customers are expected to benefit from Premium Gaming Resource

The Group estimates the period on a game-by-game basis and reassess such periods semi-annually. Revenue from the sales of Premium Gaming Resource is recognised ratably over the period the players are expected to benefit from the enhanced in-game experience associated with each purchase. This period is currently estimated to be one month from the time that the player pays the payment platform to purchase non-refundable game credits. Management has arrived at this judgement after taking into account paying player behavior patterns, and the rights of the players within the games to benefit from the Premium Gaming Resource. Future paying player behaviour patterns may differ from the historical patterns and therefore the estimated length of the period may change in the future.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND OPERATING SEGMENT INFORMATION

The Group was principally engaged in the development and operation of online games in the international market.

For the year ended 31 December 2021, substantially all revenue is generated from online games and recognised over time. All revenue generated from the Group's business is within the scope of IFRS 15.

The Group's customer base was diversified and no customer had transactions with the Group exceeding 10% of the Group's revenue during the financial periods presented.

As at 31 December 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK\$232,660,000 (2020: HK\$266,497,000), and the Group will recognise this revenue in 2022.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, focuses on financial results of the Group as a whole reported under IFRSs. Other information provided to the chief operating decision-makers also included a breakdown of the Group's revenue which is as follows:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
"Lords Mobile"	5,020,305	4,684,684
"Time Princess"	312,230	37,702
"Castle Clash"	255,282	356,543
Others	463,077	385,106
	<u>6,050,894</u>	<u>5,464,035</u>

And no further information about the operating segment is presented.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

4 REVENUE AND OPERATING SEGMENT INFORMATION (Continued)

Geographical information

The following tables set out information about the geographical locations of the Group's revenue from external customers and the Group's specified non-current assets. Specified non-current assets exclude other financial assets and deferred tax assets. For online game revenue, the geographical locations of customers are based on the Internet Protocol locations of the game players. The geographical locations of the specified non-current assets are based on the physical locations or the location of operations of the assets:

Revenue by geographical regions

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Asia	2,161,292	2,149,315
North America	2,137,587	1,698,100
Europe	1,380,859	1,248,359
Others	371,156	368,261
	<u>6,050,894</u>	<u>5,464,035</u>

Specified non-current assets

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Asia	1,144,073	686,470
North America	71,625	36,259
Europe	175,648	183,595
Others	892	209
	<u>1,392,238</u>	<u>906,533</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

5 OTHER NET (LOSSES)/GAINS

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Gain on disposal of other financial assets (Note 17)	222,619	249,500
Net gains on disposal and deemed disposal of associates and joint ventures	4,296	–
Government grants*	30,144	25,957
Dividend income	49,795	16,686
Bank interest income	6,079	13,849
Exchange loss	(37,361)	(5,989)
Fair value change on investments (Note 17)	(238,633)	717,732
Impairment loss on interests in associates and joint ventures (Note 16)	(32,723)	(16,197)
Impairment loss on intangible assets (Note 12)	(21,367)	–
Others	(13,979)	(5,684)
	<u>(31,130)</u>	<u>995,854</u>

* Government grants mainly included cash grants to enterprises utilizing foreign investments and rewards for enterprises in cultural industry. There are no unfulfilled conditions or contingencies relating to the grants.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
(a) Staff costs		
Salaries, wages and other benefits	1,055,698	580,363
Equity-settled share-based payment expenses	82,426	24,650
Contributions to defined contribution retirement plan	51,581	17,603
	<u>1,189,705</u>	<u>622,616</u>
	2021 HK\$' 000	2020 HK\$' 000 (Restated)
(b) Finance costs		
Interest on lease liabilities (note 20(c))	5,976	3,465
	2021 HK\$' 000	2020 HK\$' 000 (Restated)
(c) Other items		
Promotion and advertising expenses	1,890,038	1,436,437
Channel cost	1,646,776	1,522,420
Fair value change on investments	238,633	(717,732)
Amortisation		
– intangible assets (note 12)	11,626	5,190
– land use rights (note 13)	3,634	–
Depreciation charge (note 11)		
– owned property, plant and equipment	41,693	34,237
– right-of-use assets	62,178	30,121
Impairment loss on interests in associates and joint ventures	32,723	16,197
Impairment loss on intangible assets	21,367	–
Reversal of impairment loss for trade and other receivables and funds receivable	(90)	(100)
Net foreign exchange loss	37,361	5,989
Auditors' remuneration		
– audit services	2,328	1,973
– non-audit services	2,343	1,636
Loss on disposal of property, plant and equipment	314	146

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss represents:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Current tax		
Provision for the year	103,704	207,549
Over-provision in respect of prior years	(1,402)	–
	<u>102,302</u>	<u>207,549</u>
Deferred tax (note 25(b))		
Origination and reversal of temporary differences	(25,697)	197
	<u>76,605</u>	<u>207,746</u>

Taxation for subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Profit before taxation	<u>446,217</u>	<u>2,304,528</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	83,503	310,918
Tax effect of non-deductible expenses	36,776	15,643
Tax effect of non-taxable income	(31,463)	(22,691)
Tax effect of unused tax losses not recognised	33,523	10,772
Tax losses utilised	(1,964)	(3,850)
Statutory tax concession	(42,368)	(84,902)
Over-provision in prior years	(1,402)	–
Effect of using the deductible losses for which no deferred tax asset was recognised in previous period	–	(18,144)
Actual tax expenses	<u>76,605</u>	<u>207,746</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

7 INCOME TAX (Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: (Continued)

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

IGG Singapore Pte. Ltd. is subject to the prevailing corporate tax rate of 17% in Singapore and is entitled to a preferential tax rate of 10.5% on qualifying income derived during the year ended 31 December 2021 (2020: 10.5%).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, mainly ranging from 15% to 34%.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payment (Note)	2021 Total
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Executive directors							
Mr. Zongjian Cai*	494	3,989	5,035	18	9,536	16,222	25,758
Mr. Yuan Xu	494	3,270	3,955	69	7,788	5,366	13,154
Mr. Hong Zhang	494	2,750	4,304	69	7,617	4,680	12,297
Ms. Jessie Shen	494	2,757	3,092	–	6,343	4,571	10,914
Mr. Feng Chen	494	1,372	5,476	–	7,342	2,995	10,337
Non-executive director							
Mr. Yuan Chi	494	–	–	–	494	437	931
Independent non-executive directors							
Dr. Horn Kee Leong	427	–	–	–	427	735	1,162
Mr. Dajian Yu	233	–	–	–	233	559	792
Ms. Zhao Lu	233	–	–	–	233	559	792
	<u>3,857</u>	<u>14,138</u>	<u>21,862</u>	<u>156</u>	<u>40,013</u>	<u>36,124</u>	<u>76,137</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS (Continued)

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payment (Note)	2020 Total
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Executive directors							
Mr. Zongjian Cai*	494	3,989	896	18	5,397	–	5,397
Mr. Yuan Xu	494	3,157	5,077	66	8,794	–	8,794
Mr. Hong Zhang	494	2,635	5,174	66	8,369	–	8,369
Ms. Jessie Shen	494	2,645	4,515	–	7,654	–	7,654
Mr. Feng Chen	302	816	1,053	10	2,181	–	2,181
Non-executive director							
Mr. Yuan Chi	494	–	–	–	494	–	494
Independent non-executive directors							
Dr. Horn Kee Leong	427	–	–	–	427	381	808
Mr. Dajian Yu	233	–	–	–	233	381	614
Ms. Zhao Lu	233	–	–	–	233	381	614
	<u>3,665</u>	<u>13,242</u>	<u>16,715</u>	<u>160</u>	<u>33,782</u>	<u>1,143</u>	<u>34,925</u>

* Mr. Zongjian Cai is the chief executive officer of the Group.

Note: These represent the estimated value of share options and awarded shares granted to the directors under the Company's share option scheme, share award scheme and performance-based share award scheme. The value of these share options and awarded shares is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(o)(ii).

The details of these benefits in kind, including the principal terms and number of options and shares granted, are disclosed under the paragraph "Share option scheme", the paragraph "Share award scheme" and the paragraph "Performance-based share award scheme" in the directors' report and note 24.

No director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office. No director waived or has agreed to waive any emolument during the years ended 31 December 2021 and 2020.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 5 (2020: 4) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other 1 individual for the year ended 31 December 2020 are as follows:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Salaries and other emoluments	–	4,766
Discretionary bonuses	–	2,559
Retirement scheme contributions	–	66
	<u>–</u>	<u>7,391</u>

The emoluments of the 1 individual with the highest emoluments for the year ended 31 December 2020 are within the following bands:

	2021 Number of individuals	2020 Number of individuals
HK\$7,000,001 – HK\$7,500,000	–	1
	<u>–</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$370,438,000 (2020: HK\$2,097,015,000) and the weighted average of 1,172,998,000 ordinary shares (2020: 1,215,522,000 ordinary shares) in issue during the year calculated as follows.

Weighted average number of ordinary shares:

	2021 '000	2020 '000
Issued ordinary shares at 1 January	1,202,367	1,247,920
Effect of share award scheme	(27,856)	(19,781)
Effect of shares options exercised	3,029	1,992
Effect of repurchase of ordinary shares	(4,542)	(14,609)
	<u>1,172,998</u>	<u>1,215,522</u>
Weighted average number of ordinary shares at 31 December	<u>1,172,998</u>	<u>1,215,522</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$370,438,000 (2020: HK\$2,097,015,000) and the weighted average of 1,184,776,000 ordinary shares (2020: 1,230,624,000 ordinary shares), calculated as follows:

Weighted average number of ordinary shares (diluted):

	2021 '000	2020 '000
Weighted average number of ordinary shares at 31 December	1,172,998	1,215,522
Effect of deemed issue of shares under the Company's share option scheme	7,648	11,531
Effect of deemed issue of shares under the Company's share award scheme (including performance-based share award scheme)	4,130	3,571
	<u>1,184,776</u>	<u>1,230,624</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u>1,184,776</u>	<u>1,230,624</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Freehold land HK\$' 000	Buildings HK\$' 000	Right-of-use assets HK\$' 000	Leasehold improvements HK\$' 000	Computer equipment HK\$' 000	Office equipment and furniture HK\$' 000	Motor vehicles HK\$' 000	Others HK\$' 000	Total HK\$' 000
Cost:									
At 1 January 2020 (Restated)	30,536	140,623	110,035	81,540	71,733	12,753	3,332	3,523	454,075
Exchange adjustments (Restated)	2,838	11,268	4,183	3,698	1,623	607	216	327	24,760
Additions (Restated)	-	-	28,885	1,290	12,804	1,565	978	-	45,522
Disposals (Restated)	-	-	(5,997)	(2,770)	(4,035)	(407)	(565)	-	(13,774)
At 31 December 2020 (Restated)	33,374	151,891	137,106	83,758	82,125	14,518	3,961	3,850	510,583
Exchange adjustments	(2,468)	(9,870)	3,004	1,597	1,343	2	155	(284)	(6,521)
Additions	-	-	127,912	19,526	52,300	3,008	4,026	-	206,772
Disposals	-	-	(4,505)	(531)	(1,281)	(125)	(469)	-	(6,911)
At 31 December 2021	30,906	142,021	263,517	104,350	134,487	17,403	7,673	3,566	703,923

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Reconciliation of carrying amount (Continued)

	Freehold land HK\$' 000	Buildings HK\$' 000	Right-of-use assets HK\$' 000	Leasehold improvements HK\$' 000	Computer equipment HK\$' 000	Office equipment and furniture HK\$' 000	Motor vehicles HK\$' 000	Others HK\$' 000	Total HK\$' 000
Accumulated depreciation:									
At 1 January 2020 (Restated)	-	(2,109)	(26,446)	(31,437)	(47,368)	(7,917)	(1,937)	-	(117,214)
Exchange adjustments (Restated)	-	(528)	(1,975)	(2,215)	(1,114)	(397)	(116)	-	(6,345)
Charge for the year (Restated)	-	(4,198)	(30,121)	(15,001)	(12,591)	(1,826)	(621)	-	(64,358)
Written back on disposals (Restated)	-	-	4,457	2,749	3,658	241	537	-	11,642
At 31 December 2020 (Restated)	-	(6,835)	(54,085)	(45,904)	(57,415)	(9,899)	(2,137)	-	(176,275)
Exchange adjustments	-	707	(385)	(779)	(797)	(66)	(64)	-	(1,384)
Charge for the year	-	(4,524)	(62,178)	(15,941)	(18,065)	(2,068)	(1,095)	-	(103,871)
Written back on disposals	-	-	3,439	211	1,217	107	440	-	5,414
At 31 December 2021	-	(10,652)	(113,209)	(62,413)	(75,060)	(11,926)	(2,856)	-	(276,116)
Net book value:									
At 31 December 2021	30,906	131,369	150,308	41,937	59,427	5,477	4,817	3,566	427,807
At 31 December 2020 (Restated)	33,374	145,056	83,021	37,854	24,710	4,619	1,824	3,850	334,308

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Properties leased for own use, carried at depreciated cost	<u>150,308</u>	<u>83,021</u>

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use	<u>62,178</u>	<u>30,121</u>
Interest on lease liabilities (note 6(b))	5,976	3,465
Expense relating to short-term leases	9,217	3,110
COVID-19-related rent concessions received	–	(290)

During the year, additions to right-of-use assets were HK\$127,912,000 (2020: HK\$28,885,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 20(d) and 22, respectively.

The Group has obtained the right to use certain properties as its office premises through tenancy agreements. The leases typically run for an initial period of 2 to 8 years. Except for those fixed lease payments, other lease payments are usually increased every 1 to 3 years to reflect market rentals.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Right-of-use assets (Continued)

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised (discounted)		Potential future lease payments under extension options not included in lease liabilities (undiscounted)	
	2021 HK\$' 000	2020 HK\$' 000 (Restated)	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Office premises	4,870	8,409	11,190	11,127

During the years ended 31 December 2021 and 2020, none of the leases contain variable lease payment terms.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

12 INTANGIBLE ASSETS

	Trademarks and domain names HK\$' 000	Software HK\$' 000	Copyright HK\$' 000	Licenses HK\$' 000	Total HK\$' 000
Cost:					
At 1 January 2020 (Restated)	11,252	18,187	11,206	7,225	47,870
Exchange adjustments (Restated)	(12)	852	27	(32)	835
Additions (Restated)	–	5,187	10,441	–	15,628
Disposals (Restated)	–	(813)	–	–	(813)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020 (Restated)	11,240	23,413	21,674	7,193	63,520
Exchange adjustments	79	(503)	157	41	(226)
Additions	–	5,258	–	23,778	29,036
Disposals	–	(226)	–	–	(226)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	11,319	27,942	21,831	31,012	92,104
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated amortisation and impairment:					
At 1 January 2020 (Restated)	(11,244)	(13,041)	(11,206)	(7,225)	(42,716)
Exchange adjustments (Restated)	12	(558)	(34)	32	(548)
Charge for the year (Restated)	(7)	(4,601)	(582)	–	(5,190)
Written back on disposals (Restated)	–	810	–	–	810
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020 (Restated)	(11,239)	(17,390)	(11,822)	(7,193)	(47,644)
Exchange adjustments	(76)	592	(112)	(41)	363
Charge for the year	(3)	(5,727)	(3,485)	(2,411)	(11,626)
Written back on disposals	–	318	–	–	318
Impairment provision	–	–	–	(21,367)	(21,367)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	(11,318)	(22,207)	(15,419)	(31,012)	(79,956)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:					
At 31 December 2021	<u>1</u>	<u>5,735</u>	<u>6,412</u>	<u>–</u>	<u>12,148</u>
At 31 December 2020 (Restated)	<u>1</u>	<u>6,023</u>	<u>9,852</u>	<u>–</u>	<u>15,876</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

12 INTANGIBLE ASSETS (Continued)

During the year ended 31 December 2021, certain mobile games have stopped running and could not generate any realizable value. The management considers that the recoverable amounts were nil. An impairment losses of HK\$21,367,000 (2020: nil) on intangible assets were charged to the consolidated statement of profit or loss under "Other net (losses)/gains".

13 LAND USE RIGHTS

The Group has obtained land use rights of a parcel of land for periods of 40 years in the PRC.

	Land use rights
	HK\$' 000
Cost:	
At 31 December 2020 (Restated)	–
Exchange adjustments	4,415
Additions	248,925
	<hr/>
At 31 December 2021	253,340
	<hr style="border-top: 1px dashed black;"/>
Accumulated amortisation:	
At 31 December 2020 (Restated)	–
Exchange adjustments	(61)
Charge for the year	(3,634)
	<hr/>
At 31 December 2021	(3,695)
	<hr style="border-top: 1px dashed black;"/>
Net book value:	
At 31 December 2021	249,645
	<hr style="border-top: 3px double black;"/>
At 31 December 2020 (Restated)	–
	<hr style="border-top: 3px double black;"/>

14 OTHER NON-CURRENT ASSETS

Other non-current assets mainly represent prepayment for acquisition of office premises in the PRC and rental deposits. Rental deposits were expected to be collected beyond one year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
IGG Singapore Pte. Ltd. ("IGG Singapore")	Singapore	1,500,000 shares of S\$1 each	100%	–	Research and development of games, operation and licensing of online games globally
Fuzhou Tianji*	PRC	US\$100,000,000	–	100%	Research and development, provision of technical maintenance service, customer support and technical support services
Fuzhou Tianmeng**	PRC	RMB10,000,000	–	100%#	Research and development of games, operation of online game in Mainland China and provision of customer support services
Fuzhou Tianlong Digital Technology Co., Ltd.*	PRC	US\$115,500,000/ US\$50,000,000##	–	100%	Investment holding
Skylines Investment Holdings Pte. Ltd.	Singapore	8,000,000 shares of US\$1 each	100%	–	Investment holding

* Registered as a wholly-foreign-owned enterprise under the law of the PRC.

** Registered as a limited liability company under the law of the PRC.

Fuzhou Tianmeng was legally owned by the Fuzhou Tianmeng Registered Holders. Fuzhou Tianji entered into the Fuzhou Tianmeng Structured Contracts with Fuzhou Tianmeng and the Fuzhou Tianmeng Registered Holders. As a result of the contractual arrangements, Fuzhou Tianmeng was ultimately controlled by Fuzhou Tianji, which is a wholly-owned subsidiary of the Company.

As at 31 December 2021, the issued share capital of Fuzhou Tianlong Digital Technology Co., Ltd. was US\$115,500,000 of which paid-up capital was US\$50,000,000.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INTERESTS IN ASSOCIATES AND JOINT VENTURES

(a) Interest in associates

Aggregate information of associates that are not individually material:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	469,301	376,652
Aggregate amounts of the Group's shares of these associates' losses	<u>(54,907)</u>	<u>(13,328)</u>

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
At 1 January	376,652	20,759
Additions ¹	160,587	368,027
Deemed disposal gains ²	2,760	–
Transfer from other financial assets ³	1,806	3,487
Share of results of associates	(54,907)	(13,328)
Impairment loss on interests in associates ⁴	(27,451)	(16,197)
Disposals	(360)	–
Currency translation differences	<u>10,214</u>	<u>13,904</u>
At 31 December	<u>469,301</u>	<u>376,652</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(a) Interest in associates (Continued)

Note:

- ¹ For the year ended 31 December 2021, the Group's additions to interests in associates mainly comprised several new associates and additional investments in existing associates with an aggregate amount of approximately HK\$160,587,000. These associates are principally engaged in online gaming business.
- ² The deemed disposal gains of approximately HK\$2,760,000 recognised for the year ended 31 December 2021 mainly comprised net gains on dilution of the Group's equity interest in associates due to new equity interests being issued by the associates.
- ³ For the year ended 31 December 2021, an unquoted equity investment of approximately HK\$1,806,000 was transferred to interests in an associate due to additional investments and appointed a board representative to the associate.
- ⁴ Both external and internal sources of information of associates are considered in assessing whether there is any indication that the investment may be impaired, including but not limited to financial position and business performance.

As at 31 December 2021, the Group assessed the performance of the associates and considered the investments in certain associates to be irrecoverable. The Group measured the recoverable amounts of these associates based on value in use using cash flow projections estimated by management and the key assumptions adopted in these cash flow projections include revenue growth rate, profit margins and discount rate. The discount rates adopted range from 21% to 23%. An impairment loss of HK\$27,451,000 (2020: HK\$16,197,000) was recognised in "Other net (losses)/gains" during the year.

Management has assessed the level of influence that the Group exercises on certain associates with the respective shareholding below 20%, with total carrying amount of HK\$242,327,000. Management determined that it has significant influence thereon through the board representation. Consequently, these investments have been classified as associates.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

16 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(b) Interest in joint ventures

Aggregate information of joint ventures that are not individually material:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Aggregate carrying amount of individually immaterial ventures in the consolidated financial statements	18,106	26,323
Aggregate amounts of the Group's shares of these joint ventures' losses	<u>(5,131)</u>	<u>(4,594)</u>
	2021 HK\$' 000	2020 HK\$' 000 (Restated)
At 1 January	26,323	13,624
Additions	–	16,461
Deemed disposal gains	1,715	–
Share of results of joint ventures	(5,131)	(4,594)
Impairment loss on interests in joint ventures ¹	(5,272)	–
Disposals	(184)	–
Currency translation differences	<u>655</u>	<u>832</u>
At 31 December	<u>18,106</u>	<u>26,323</u>

Note:

- ¹ Both external and internal sources of information of joint ventures are considered in assessing whether there is any indication that the investment may be impaired, including but not limited to financial position and business performance.

As at 31 December 2021, the Group assessed the performance of the joint ventures and considered the investments in a joint venture to be irrecoverable. The Group measured the recoverable amount of the joint venture based on value in use using cash flow projections estimated by management and the key assumptions adopted in the cash flow projection include revenue growth rate, profit margins and discount rate. The discount rates adopted is 23%. An impairment loss of HK\$5,272,000 (2020: nil) was recognised in "Other net (losses)/ gains" during the year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

17 OTHER FINANCIAL ASSETS

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Financial assets measured at FVPL		
– Listed equity securities ¹	4,613	760,610
– Unquoted equity investments ²	529,475	500,023
	<u>534,088</u>	<u>1,260,633</u>

Note:

- ¹ Listed equity securities mainly comprised equity securities listed in Hong Kong and the United States. The equity securities listed in Hong Kong represented the Group's equity investment in XD Inc., a company listed on the Stock Exchange and principally engaged in development and operation of games, and providing online marketing services in the PRC and overseas. The following table shows the profits and losses related to the equity investment:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Gain on disposal of other financial assets	221,552	249,500
Fair value change on investments	(74)	415,627
Dividend income	–	–
	<u>221,478</u>	<u>665,127</u>

- ² Unquoted equity investments mainly comprised the following:

- (i) an equity investment in Mfund, L.P., a private equity fund which is principally engaged in equity investments in mobile internet industry. Dividends of HK\$20,340,000 were received on this investment for the year ended 31 December 2021 (2020: HK\$16,686,000).
- (ii) an equity investment in Griffin Gaming Partners, L.P., a private equity fund which focuses on the investment in gaming related companies worldwide. Listed equity securities of HK\$29,455,000 were received on this investment for the year ended 31 December 2021 (2020: Nil).
- (iii) equity investments in certain non-listed internet companies and several private equity funds which are principally engaged in investment holding of entities in the mobile internet, media, telecommunication and other innovative technologies sectors.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

18 TRADE AND OTHER RECEIVABLES

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Trade receivables, net of loss allowance	11,015	10,728
Deposits	6,691	2,048
Other receivables	42,048	26,568
	<u>59,754</u>	<u>39,344</u>

Trade receivables were all from third-party customers. The Group's credit terms with its customers are generally from one to six months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

As of the end of the reporting period, the ageing analysis of trade debtors and net of loss allowance, based on the invoice date, is as follows:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Within 3 months	11,015	9,159
3 to 6 months	–	–
Over 6 months but within 1 year	–	1,569
	<u>11,015</u>	<u>10,728</u>

Generally, trade debtors are due within 6 months from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 28(a).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

19 FUNDS RECEIVABLE

Funds receivable represent balances due from third-party payment service providers for the cash collected from game players that purchased the Premium Gaming Resource. The Company carefully considers and monitors the creditworthiness of the third-party payment service providers.

As at 31 December 2021, all the funds receivable were aged within three months and HK\$325,000 of loss allowance was provided for the funds receivable (31 December 2020: HK\$311,000). Further details on the Group's credit policy and credit risk arising from funds receivable are set out in note 28(a).

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Cash at bank and on hand	1,802,767	2,083,289
Deposits with other financial institutions	147,204	89,369
	<hr/>	<hr/>
Cash and cash equivalents in the consolidated cash flow statement	<u>1,949,971</u>	<u>2,172,658</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Profit before taxation		446,217	2,304,528
Adjustments for:			
Gain on disposal of other financial assets	5	(222,619)	(249,500)
Net gains on disposal and deemed disposal of associates and joint ventures	5	(4,296)	–
Share of results of associates and joint ventures	16	60,038	17,922
Impairment loss on interests in associates and joint ventures	16	32,723	16,197
Loss on disposal of property, plant and equipment	6(c)	314	146
Depreciation	6(c)	103,871	64,358
Amortisation	6(c)	15,260	5,190
Impairment loss on intangible assets	5	21,367	–
Dividend income	5	(49,795)	(16,686)
Interest income	5	(6,079)	(13,849)
Finance costs	6(b)	5,976	3,465
Equity-settled share-based payment expenses	6(a)	82,426	24,650
Fair value change on investments	5	238,633	(717,732)
Reversal of impairment loss for trade and other receivables and funds receivable	6(c)	(90)	(100)
COVID-19-related rent concessions received	11(b)	–	(290)
Changes in working capital:			
(Increase)/decrease in inventories		(492)	639
Increase in funds receivable		(18,415)	(191,379)
Increase in restricted deposits		(472)	(1,995)
Decrease/(increase) in trade and other receivables		4,805	(9,851)
Increase in trade and other payables		194,815	73,558
(Decrease)/increase in deferred revenue		(33,837)	70,151
Increase in other non-current assets		(19,750)	(6,795)
Cash generated from operations		<u>850,600</u>	<u>1,372,627</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financing activities

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

	Lease liabilities
	HK\$'000
	(note 22)
At 1 January 2021 (Restated)	88,980

Changes from financing cash flows:	
Capital element of lease rentals paid	(62,624)
Interest element of lease rentals paid	(5,976)

Total changes from financing cash flows	(68,600)

Exchange adjustments	5,706

Other changes:	
Increase in lease liabilities from entering into new leases during the year	127,912
Termination of lease liabilities	(1,066)
Interest expenses (note 6(b))	5,976

Total other changes	132,822

At 31 December 2021	<u><u>158,908</u></u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Lease liabilities
	HK\$'000
	(Restated)
	(note 22)
At 1 January 2020	88,660

Changes from financing cash flows:	
Capital element of lease rentals paid	(29,489)
Interest element of lease rentals paid	(3,465)

Total changes from financing cash flows	(32,954)

Exchange adjustments	2,754

Other changes:	
Increase in lease liabilities from entering into new leases during the year	28,885
Termination of lease liabilities	(1,540)
Interest expenses (note 6(b))	3,465
COVID-19-related rent concessions received (note 11(b))	(290)

Total other changes	30,520

At 31 December 2020	<u>88,980</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Within operating cash flows	7,768	2,351
Within financing cash flows	<u>68,600</u>	<u>32,954</u>
	<u><u>76,368</u></u>	<u><u>35,305</u></u>

These amounts relate to the following:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Lease rentals paid	<u><u>76,368</u></u>	<u><u>35,305</u></u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

21 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Within 3 months	305,544	146,584
3 to 6 months	9	747
6 months to 1 year	–	–
Over 1 year	–	192
	<hr/>	<hr/>
Total creditors	305,553	147,523
Salary and welfare payables	102,587	66,723
Other tax payables	60,220	53,752
Other payables and accruals	56,623	65,237
	<hr/>	<hr/>
	524,983	333,235
	<hr/> <hr/>	<hr/> <hr/>

The trade and other payables are non-interest bearing and are expected to be settled within three months or repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

22 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2021		2020	
	Present value of the minimum lease payments HK\$' 000	Total minimum lease payments HK\$' 000	Present value of the minimum lease payments HK\$' 000 (Restated)	Total minimum lease payments HK\$' 000 (Restated)
Within 1 year	86,127	89,259	38,333	39,093
After 1 year but within 2 years	52,217	55,592	32,820	34,992
After 2 years but within 5 years	20,564	22,928	16,457	18,461
After 5 years	—	—	1,370	1,687
	<u>72,781</u>	<u>78,520</u>	<u>50,647</u>	<u>55,140</u>
	<u>158,908</u>	<u>167,779</u>	<u>88,980</u>	<u>94,233</u>
Less: total future interest expenses		<u>(8,871)</u>		<u>(5,253)</u>
Present value of lease liabilities		<u>158,908</u>		<u>88,980</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

23 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group operates a Central Provident Fund (“the CPF”) regulated/governed by Singapore government. Under the CPF, the employer and its employees are each required to make contributions to the fund at the applicable rates of the eligible employees’ salaries.

The Mainland China subsidiaries of the Group participate in defined contribution retirement benefit schemes (“the Schemes”) organised by the municipal and provincial government authorities whereby the Group is required to make contributions to the Schemes at the applicable rates of the eligible employees’ salaries. The local government authority is responsible for the entire pension obligations payable to retired employees.

In addition, the Group also contributes on a monthly basis to various defined contribution plans pursuant to the relevant labour rules and regulations in the jurisdictions where the Group’s other subsidiaries operate.

The Group’s liability in respect of the aforementioned plans is limited to the contribution payable in each period. The Group’s contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

24 SHARE-BASED PAYMENTS

The Company adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) and a share option scheme (the “Share Option Scheme”), approved by the written resolution of shareholders passed on 16 September 2013 (the “Resolution”).

(a) Pre-IPO Share Option Scheme

The following share options were outstanding and exercisable under the Pre-IPO Share Option Scheme during the year:

	2021		2020	
	Weighted average exercise price US\$	Number of options	Weighted average exercise price US\$	Number of options
Outstanding at the beginning of the year	0.0778	7,438,500	0.0730	11,901,800
Exercised during the year	0.0636	<u>(2,868,500)</u>	0.0649	<u>(4,463,300)</u>
Outstanding at the end of the year	0.0865	<u>4,570,000</u>	0.0778	<u>7,438,500</u>
Exercisable at the end of the year	0.0865	<u><u>4,570,000</u></u>	0.0778	<u><u>7,438,500</u></u>

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2021		Exercise price per share US\$	Exercise period
Number of options			
188,000	0.0865	since IPO to 14-01-2022	
3,175,000	0.0865	since IPO to 20-05-2022	
1,207,000	0.0865	since IPO to 30-03-2023	
<u>4,570,000</u>			

As at 31 December 2021, the Pre-IPO share options outstanding had a weighted average remaining contractual life of 0.60 years (31 December 2020: 1.26 years). For Pre-IPO share options, the weighted average closing price of the Company’s shares at the date share options were exercised during the year was HK\$10.57 (year ended 31 December 2020: HK\$8.28).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

24 SHARE-BASED PAYMENTS (Continued)

(b) Share Option Scheme

The following share options were outstanding and exercisable under the Share Option Scheme during the year:

	2021		2020	
	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$	Number of options
Outstanding at the beginning of the year	4.10	5,767,000	5.37	7,337,500
Granted during the year	–	–	4.91	357,000
Exercised during the year	3.97	(960,000)	3.84	(522,500)
Forfeited/Lapsed during the year	5.75	(6,000)	10.08	(75,000)
Cancelled during the year	–	–	11.10	(1,330,000)
Outstanding at the end of the year	4.13	4,801,000	4.10	5,767,000
Exercisable at the end of the year	4.00	4,319,750	3.94	5,080,750

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2021		
Number of options	Exercise price per share HK\$	Exercise period
100,000	5.47	11-08-2015 to 10-08-2024
442,000	3.51	21-11-2015 to 20-11-2024
2,711,000	3.90	23-03-2016 to 22-03-2025
800,000	3.90	03-06-2016 to 22-03-2025
406,000	5.75	19-08-2020 to 18-08-2029
342,000	4.91	06-05-2021 to 05-05-2030
<u>4,801,000</u>		

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

24 SHARE-BASED PAYMENTS (Continued)

(b) Share Option Scheme (Continued)

As at 31 December 2021, the share options under the Share Option Scheme outstanding had a weighted average remaining contractual life of 3.66 years (31 December 2020: 4.47 years). For share options under the Share Option Scheme, the weighted average closing price of the Company's shares at the date share options were exercised during the year was HK\$10.73 (year ended 31 December 2020: HK\$6.69).

Share options exercised under Pre-IPO Share Option Scheme and Share Option Scheme during the year ended 31 December 2021 resulted in the issuance of 3,828,500 (2020: 4,985,800) ordinary shares of the Company and share premium of HK\$8,360,000 (2020: HK\$6,681,000), as further detailed in note 27(c) to the financial statements.

(c) Share award scheme

The share award scheme of the Company was adopted by the Board on 24 December 2013. The purpose of the share award scheme is to recognise the contributions by certain selected grantees and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

Movements in the number of shares held for the share award scheme and awarded shares for the year ended 31 December 2021 are as follows:

	Number of shares held for the share award scheme not yet granted	Number of awarded shares granted but not yet vested	Total
At 1 January 2021	13,666,369	6,775,127	20,441,496
Purchased	19,653,000	–	19,653,000
Granted	(17,927,105)	17,927,105	–
Forfeited/Lapsed	785,638	(785,638)	–
Vested	–	(3,025,867)	(3,025,867)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	16,177,902	20,890,727	37,068,629
	<hr/>	<hr/>	<hr/>
Vested but not transferred as at 31 December 2021			–
			<hr/>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

24 SHARE-BASED PAYMENTS (Continued)

(c) Share award scheme (Continued)

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

The weighted average fair value of awarded shares granted during the year ended 31 December 2021 was HK\$8.58 per share.

On 6 May 2021, the Group granted a total of 3,192,565 awarded shares, among which 2,985,000 awarded shares will be vested on the date of the annual general meeting to be convened in 2022 and 2023 with each of 50% being vested annually, and 85,550 awarded shares will be vested in anniversary of grant date with each of 50% being vested annually.

On 19 August 2021, the Group granted a total of 12,516,650 awarded shares, among which 11,654,150 awarded shares will be vested in anniversary of grant date with each of 50% being vested annually.

On 5 November 2021, the Group granted a total of 1,100,000 awarded shares, among which 330,000 awarded shares will be vested in anniversary of grant date with each of 50% being vested annually.

The remaining awarded shares granted during the year ended 31 December 2021 and outstanding as at the period then ended will be vested in anniversary of grant date with each of 25% being vested annually. The consideration paid by the Company, including any directly attributable incremental costs, is deducted from the Group's equity.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

24 SHARE-BASED PAYMENTS (Continued)

(d) Performance-based share award scheme

The Company adopted a performance-based share award scheme on 21 May 2021, and the scheme was approved by the resolution of shareholders passed on 20 July 2021. The purpose of the performance-based share award scheme is to recognise the contributions by certain eligible persons.

Under the performance-based share award scheme, the Company grants 71,635,355 performance-based awarded shares to the grantees. The award shares will vest, in whole or in part, after 8.5 months to 56.5 months from the grant date, on condition that certain market performance criteria is met. The actual number of awarded shares to be vested to the grantees varies based on the growth rate of share price of the Company.

Movements in the number of shares held for the performance-based share award scheme and awarded shares for the year ended 31 December 2021 are as follows:

	Number of shares held for the performance- based share award scheme not yet granted	Number of awarded shares granted but not yet vested	Total
At 1 January 2021	–	–	–
Granted	–	71,635,355	71,635,355
At 31 December 2021	–	71,635,355	71,635,355
Vested but not transferred as at 31 December 2021			–

The Group has applied Monte Carlo Simulation method at the grant date to assess the likelihood of the performance criteria being met and the grant date fair value of the right to receive a variable number of awarded shares. The fair value of the awarded shares was calculated based on the market price of the Company's shares at the grant date, on a basis that vesting is achieved through the market performance condition only. This market condition has been taken into account in the grant date fair value measurement of the right. The expected dividends during the vesting period have been taken into account when assessing the grant date fair value. The weighted-average fair value of awarded shares at the grant date was HK\$1.23 per share.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Balance at the beginning of the year	329,003	246,206
Provision for Corporate income tax for the year	102,302	207,549
Withholding Tax	(24,303)	(28,005)
Income tax paid during the year	(196,416)	(94,417)
Exchange adjustments	5,739	(2,330)
	<u>216,325</u>	<u>329,003</u>

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities:

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Allowances in depreciation/ amortisation HK\$' 000	Depreciation charge of right-of-use asset and interest on lease liabilities HK\$' 000	Credit loss allowance HK\$' 000	Accumulated tax losses arising from subsidiaries HK\$' 000	Total HK\$' 000
Deferred tax arising from:					
At 1 January 2020 (Restated)	4,173	(784)	(76)	(302)	3,011
Charged/(credited) to profit or loss (Restated)	<u>1,313</u>	<u>(209)</u>	<u>7</u>	<u>(914)</u>	<u>197</u>
At 31 December 2020 (Restated)	5,486	(993)	(69)	(1,216)	3,208
Charged/(credited) to profit or loss	<u>2,721</u>	<u>(950)</u>	<u>(10)</u>	<u>(27,458)</u>	<u>(25,697)</u>
At 31 December 2021	<u>8,207</u>	<u>(1,943)</u>	<u>(79)</u>	<u>(28,674)</u>	<u>(22,489)</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

25 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised: (Continued)

(ii) Reconciliation to the consolidated statement of financial position:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Net deferred tax asset recognised in the consolidated statement of financial position	(30,349)	(2,008)
Net deferred tax liability recognised in the consolidated statement of financial position	7,860	5,216
	<u>(22,489)</u>	<u>3,208</u>

(c) Deferred tax assets not recognised

The Group had accumulated tax losses arising from subsidiaries of approximately HK\$137,039,000 (2020: HK\$46,614,000). Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the taxable losses can be utilised.

(d) Deferred tax liabilities not recognised

Pursuant to the PRC Corporate Income Tax Law (the "New CIT Law") which was approved and became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective on 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding tax on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries. In the opinion of the directors, it is not probable that the subsidiaries established in Mainland China will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investment in the subsidiaries for which deferred tax liabilities have not been recognised was HK\$8,067,000 at 31 December 2021 (2020: HK\$80,395,000).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

26 DEFERRED REVENUE

Deferred revenue mainly represents the unamortised portion of income received in respect of Premium Gaming Resource paid by game players for online game services.

Revenue of HK\$266,497,000 recognised in the year ended 31 December 2021 was included in the balance of deferred revenue at the beginning of the year.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

Company

Note	Share capital	Share premium (note 27 (d)(i))	Share-based payment reserve (note 27 (d)(ii))	Shares held for share award scheme	Shares repurchased for cancellation	Other reserve (note 27 (d)(iv))	Exchange reserve (note 27 (d)(iii))	Retained earnings	Total
	HK\$' 000 (Restated)	HK\$' 000 (Restated)	HK\$' 000 (Restated)	HK\$' 000 (Restated)	HK\$' 000 (Restated)	HK\$' 000 (Restated)	HK\$' 000 (Restated)	HK\$' 000 (Restated)	HK\$' 000 (Restated)
Balance at 31 December 2019 and 1 January 2020	24	177,899	76,296	(133,182)	(4,518)	26,939	3,663	2,838,196	2,985,317
Changes in equity for 2020:									
Profit for the year	-	-	-	-	-	-	-	2,157,183	2,157,183
Other comprehensive income	-	-	-	-	-	-	(15,430)	-	(15,430)
Equity-settled share-based payment	-	-	24,650	-	-	-	-	-	24,650
Shares purchased for the share award scheme	27(c)	-	-	(23,994)	-	-	-	-	(23,994)
Repurchase of ordinary shares	27(c)	-	-	-	(389,072)	-	-	-	(389,072)
Cancellation of ordinary shares	27(c)	(1)	(188,607)	-	341,955	-	-	(153,347)	-
Exercise of share options	27(c)	-*	6,681	(2,426)	-	-	-	-	4,255
Vesting of awarded shares	27(c)	-	4,027	(24,400)	20,373	-	-	-	-
Dividends received for share award scheme		-	-	-	-	13,912	-	-	13,912
2019 second interim dividend paid	27(b)	-	-	-	-	-	-	(219,556)	(219,556)
2020 first interim dividend and special dividend paid	27(b)	-	-	-	-	-	-	(617,356)	(617,356)
Balance at 31 December 2020	<u>23</u>	<u>-</u>	<u>74,120</u>	<u>(136,803)</u>	<u>(51,635)</u>	<u>40,851</u>	<u>(11,767)</u>	<u>4,005,120</u>	<u>3,919,909</u>

* These amounts represent amounts less than HK\$1,000.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Movements in components of equity (Continued)

Company (Continued)

Note	Share capital	Share premium (note 27 (d)(i))	Share-based payment reserve (note 27 (d)(ii))	Shares held for share award scheme	Shares repurchased for cancellation	Other reserve (note 27 (d)(iv))	Exchange reserve (note 27 (d)(iii))	Retained earnings	Total
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
	23	-	74,120	(136,803)	(51,635)	40,851	(11,767)	4,005,120	3,919,909
Balance at 31 December 2020 and 1 January 2021 (Restated)									
Changes in equity for 2021:									
	-	-	-	-	-	-	-	307,374	307,374
	-	-	-	-	-	-	30,558	-	30,558
	-	-	82,426	-	-	-	-	-	82,426
Shares purchased for the									
share award scheme	27(c)	-	-	(188,442)	-	-	-	-	(188,442)
Repurchase of ordinary shares	27(c)	-	-	-	(61,628)	-	-	-	(61,628)
Cancellation of ordinary shares	27(c)	-*	(12,307)	-	-	113,263	-	(100,956)	-
Exercise of share options	27(c)	-*	8,360	(3,124)	-	-	-	-	5,236
Vesting of awarded shares	27(c)	-	3,947	(27,531)	23,584	-	-	-	-
Dividends received for									
share award scheme		-	-	-	-	15,182	-	-	15,182
2020 second interim dividend and									
special dividend paid	27(b)	-	-	-	-	-	-	(640,500)	(640,500)
2021 first interim dividend paid	27(b)	-	-	-	-	-	-	(173,142)	(173,142)
	23	-	125,891	(301,661)	-	56,033	18,791	3,397,896	3,296,973

* These amounts represent amounts less than HK\$1,000.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Interim dividend declared and paid of HK14.5 cents per ordinary share (2020: HK25.1 cents per ordinary share)	173,142	308,678
Special dividend declared and paid of nil (2020: HK25.1 cents per ordinary share)	—	308,678
	<u> </u>	<u> </u>
Second interim dividend proposed after the end of the reporting period of nil (2020: HK26.7 cents per ordinary share)	—	319,360
Special dividend proposed after the end of the reporting period of nil (2020: HK26.7 cents per ordinary share)	—	319,360
	<u> </u>	<u> </u>

The Board does not recommend the payment of any second interim dividend for the year ended 31 December 2021.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Second interim dividend in respect of the previous financial year, approved and paid during the period, of HK26.7 cents per ordinary share (2020: HK17.6 cents per ordinary share)	320,250	219,556
Special dividend in respect of the previous financial year, approved and paid during the period, of HK26.7 cents per ordinary share (2020: Nil)	320,250	—
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

As at 31 December 2021 and 2020, the authorised share capital of the Company comprises 2,000,000,000 ordinary shares with par value of US\$0.0000025 per share.

A summary of the transactions during the year in the Company's issued share capital is as follows:

	Note	Number of shares issued and fully paid [^]	Issued capital HK\$'000	Share premium HK\$'000	Shares held for share award scheme HK\$'000	Shares repurchased for cancellation HK\$'000
At 1 January 2020 (Restated)		1,247,920,299	24	177,899	(133,182)	(4,518)
Vesting of awarded shares (Restated)		–	–	4,027	20,373	–
Share options exercised (Restated) (note 24)		4,985,800	–*	6,681	–	–
Shares purchased for the share award scheme (Restated)		–	–	–	(23,994)	–
Repurchase of ordinary shares (Restated)		–	–	–	–	(389,072)
Cancellation of ordinary shares (Restated)		(50,539,000)	(1)	(188,607)	–	341,955
At 31 December 2020 (Restated)		1,202,367,099	23	–	(136,803)	(51,635)
Vesting of awarded shares		–	–	3,947	23,584	–
Share options exercised (note 24)		3,828,500	–*	8,360	–	–
Shares purchased for the share award scheme	i	–	–	–	(188,442)	–
Repurchase of ordinary shares	ii	–	–	–	–	(61,628)
Cancellation of ordinary shares		(12,669,000)	–*	(12,307)	–	113,263
At 31 December 2021		1,193,526,599	23	–	(301,661)	–

* These amounts represent amounts less than HK\$1,000.

[^] As at 31 December 2021, the total number of issued ordinary shares of the Company included 37,068,629 shares (31 December 2020: 20,441,496 shares) held under the share award scheme and none of shares held for cancellation respectively (31 December 2020: 6,448,000 shares).

Notes:

- (i) During the year ended 31 December 2021, the Company purchased 19,653,000 shares on the Stock Exchange pursuant to the share award scheme at an average price of approximately HK\$9.59 per share with total consideration of HK\$188,442,000.
- (ii) During the year ended 31 December 2021, the Company repurchased 6,221,000 shares on the Stock Exchange with an average price of approximately HK\$9.91 per share. The total amount paid on the repurchased shares was HK\$61,627,710.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves

(i) *Share premium*

Under the Companies Law of the Cayman Islands, the share premium of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) *Share-based payment reserve*

The share-based payment reserve comprises the fair value of share options and awarded shares granted which are yet to be exercised. The amount will either be transferred to the share premium when the related share options are exercised, or be transferred to treasury shares when the related awarded shares are vested and transferred, or be transferred to retained earnings should the related options expire or be forfeited.

(iii) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(s).

(iv) *Other reserve*

Other reserve represents dividends received for shares held by the trustee account for the Group's share award scheme.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

27 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, repurchase the Company's own shares or issue new shares. No change was made in the objectives, policies or processes for managing capital during the reporting period.

The Group monitors capital by regularly reviewing the gearing ratio, which is total liabilities, divided by total assets. Capital represents total equity shown in the consolidated statement of financial position.

The Group's gearing ratio at 31 December 2021 and 2020 was as follows:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Total current liabilities	1,060,095	967,068
Total non-current liabilities	<u>80,641</u>	<u>55,863</u>
	<u>1,140,736</u>	<u>1,022,931</u>
Total current assets	2,497,517	2,711,944
Total non-current assets	<u>1,956,675</u>	<u>2,169,174</u>
	<u>4,454,192</u>	<u>4,881,118</u>
Gearing ratio	<u>25.6%</u>	<u>21.0%</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and funds receivable.

Trade receivables and Funds receivable

The Group's credit terms with its customers are generally one to six months.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Funds receivable from third-party payment service providers are normally settled within three months. The Group carefully considers and monitors the creditworthiness of these third-party payment service providers. The Group has a large number of customers and there is no significant concentration of credit risk.

The Group does not hold any collateral or other credit enhancements over its trade receivables and funds receivable balances. Trade receivables and funds receivable are non-interest bearing.

The Group measures loss allowances for trade receivables and funds receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance is not further distinguished between the Group's different customer bases.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables and Funds receivable (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2021		
	Expected loss rate	Gross carrying amount HK\$' 000	Loss allowance HK\$' 000
Current (not past due)	2.14%	11,256	241
		<u>11,256</u>	<u>241</u>
	2020		
	Expected loss rate	Gross carrying amount HK\$' 000 (Restated)	Loss allowance HK\$' 000 (Restated)
Current (not past due)	2.39%	9,380	221
Less than 3 months past due	7.34%	1,693	124
		<u>11,073</u>	<u>345</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables and Funds receivable (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for funds receivable:

	2021		
	Expected loss rate	Gross carrying amount HK\$' 000	Loss allowance HK\$' 000
Current (not past due)	0.08%	<u>421,256</u>	<u>325</u>
	2020		
	Expected loss rate	Gross carrying amount HK\$' 000 (Restated)	Loss allowance HK\$' 000 (Restated)
Current (not past due)	0.07%	<u>425,446</u>	<u>311</u>

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables and Funds receivable (Continued)

Movement in the loss allowance account in respect of trade receivables and funds receivable during the year is as follows:

	2021 HK\$'000	2020 HK\$'000 (Restated)
Balance at 1 January	656	756
Impairment losses reversed during the year	(104)	(222)
Impairment losses recognised during the year	14	122
	<hr/>	<hr/>
Balance at 31 December	<u>566</u>	<u>656</u>

There are no significant changes in the gross carrying amounts of trade receivables and funds receivable during the year contributed to changes in the loss allowance.

(b) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at 31 December 2021, the Group held cash and cash equivalents of HK\$1,949,971,000 (2020: HK\$2,172,658,000) and had no bank or other interest-bearing borrowings except for lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The following table show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

	2021					Carrying amount at 31 December HK\$' 000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand HK\$' 000	More than 1 year but less than 2 years HK\$' 000	More than 2 years but less than 5 years HK\$' 000	More than 5 years HK\$' 000	Total HK\$' 000	
Trade and other payables	464,763	–	–	–	464,763	464,763
Lease liabilities	89,259	55,592	22,928	–	167,779	158,908

	2020					Carrying amount at 31 December HK\$' 000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand HK\$' 000	More than 1 year but less than 2 years HK\$' 000	More than 2 years but less than 5 years HK\$' 000	More than 5 years HK\$' 000	Total HK\$' 000	
Trade and other payables	279,483	–	–	–	279,483	279,483
Lease liabilities	39,093	34,992	18,461	1,687	94,233	88,980

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from lease liabilities. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's lease liabilities at the end of the reporting period.

	2021		2020	
	Effective interest rate	HK\$' 000	Effective interest rate	HK\$' 000 (Restated)
Fixed rate borrowings:				
Lease liabilities	4.56%	<u>158,908</u>	3.49%	<u>88,980</u>

(ii) Sensitivity analysis

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instrument, a change in interest rates at the reporting date would not affect the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(d) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table indicates the instantaneous change in the Group's profit after tax and retained earnings that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant:

	2021			2020		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax HK\$' 000	Effect on retained earnings HK\$' 000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax HK\$' 000 (Restated)	Effect on retained earnings HK\$' 000 (Restated)
Singapore dollars	5%	17,966	17,966	5%	11,084	11,084
	(5%)	(17,966)	(17,966)	(5%)	(11,084)	(11,084)
Renminbi	5%	(15,304)	(15,304)	5%	(14,767)	(14,767)
	(5%)	15,304	15,304	(5%)	14,767	14,767
Hong Kong dollars	5%	11,973	11,973	5%	5,206	5,206
	(5%)	(11,973)	(11,973)	(5%)	(5,206)	(5,206)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2020.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(e) Equity price risk

The Group is exposed to equity price changes arising from financial assets measured as FVPL (see note 17).

The Group's listed investments are listed on the Stock Exchange of Hong Kong and the New York Stock Exchange. Listed investments that are not held for trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

All of the Group's unquoted investments are held for long-term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

At 31 December 2021, it is estimated that with all other variables held constant, an increase/(decrease) of 5% (2020: 5%) in prices of the respective instruments would have increased/decreased the Group's profit after tax (and retained earnings) by HK\$23,991,000 (2020: HK\$63,032,000).

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained earnings) that would arise assuming that the changes in prices had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2020.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2021 HK\$' 000	Fair value measurements as at 31 December 2021 categorised into	
		Level 1 HK\$' 000	Level 3 HK\$' 000
Recurring fair value measurements			
Assets:			
Listed equity securities	4,613	4,613	–
Unquoted equity securities	529,475	–	529,475

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value at 31 December 2020	Fair value measurements as at 31 December 2020 categorised into	
		Level 1	Level 3
	HK\$' 000 (Restated)	HK\$' 000 (Restated)	HK\$' 000 (Restated)
Recurring fair value measurements			
Assets:			
Listed equity securities	760,610	760,610	–
Unquoted equity securities	500,023	–	500,023

During the year ended 31 December 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

The Group's financial team performs valuation on level 3 financial instruments for financial reporting purpose. The team performs valuation, or necessary updates at each interim and annual reporting date. The team adopts various valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts may also be involved and consulted when it is necessary.

Unquoted equity securities mainly represented investments in certain private equity funds and non-listed internet companies. The fair value of these unquoted equity securities was mainly determined with reference to the latest available financial information, adjusted by unobservable inputs such as the latest-round financing of the funds' underlying investments, when applicable. The higher the price of the latest-round financing for these underlying investments, the higher the fair value of the unquoted equity securities would be.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurement (Continued)

(i) *Financial assets and liabilities measured at fair value* (Continued)

Information about Level 3 fair value measurements (Continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Unquoted equity securities:		
At 1 January	500,023	129,290
Additional investments acquired	256,046	53,494
Transfer to interests in associates	(1,806)	(3,487)
Net unrealised (losses)/gains recognised in profit or loss during the year	(230,610)	321,506
Exchange adjustments	5,822	(780)
	<u>529,475</u>	<u>500,023</u>
At 31 December	<u>529,475</u>	<u>500,023</u>
Convertible promissory notes:		
At 1 January	–	7,788
Additional investments acquired	–	11,648
Changes in fair value recognised in profit or loss during the year	–	(19,400)
Exchange adjustments	–	(36)
	<u>–</u>	<u>–</u>
At 31 December	<u>–</u>	<u>–</u>
Total (losses)/gains for the year included in profit or loss for assets held at the end of the reporting period	<u>(230,610)</u>	<u>302,106</u>

(ii) *Fair value of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2020 and 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

29 COMMITMENTS

Capital commitments outstanding at 31 December 2021 not provided for in the financial statements were as follows:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Contracted for:	<u>73,868</u>	<u>195,551</u>

In addition, the Group was not committed at 31 December 2021 to enter into new leases of that are not yet commenced (2020: certain leases of 2 years with lease payments amounted to HK\$5,555,000).

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors as disclosed in note 8, is as follows:

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Short-term employee benefits	38,626	32,395
Equity-settled share-based payment	<u>33,834</u>	<u>–</u>
	<u>72,460</u>	<u>32,395</u>

Total remuneration is included in "staff costs" (see note 6(a)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions and outstanding balances with related parties

For the year ended 31 December 2021, certain associates and joint ventures of the Group provided outsourcing game development services to the Group. The service fee recognised for the year ended 31 December 2021 was HK\$31,503,000 (for the year ended 31 December 2020: HK\$30,486,000).

For the year ended 31 December 2021, the Group acquired a license of a game from an associate, Guangzhou Huanyu Jiuzhou Technology Co., Ltd., with a cost of HK\$19,400,000 (for the year ended 31 December 2020: Nil). And for the year ended 31 December 2021, the Group entered into a mobile game co-operation contract with the associate and the fee paid to the associate was HK\$9,341,000 (for the year ended 31 December 2020: Nil).

Save as disclosed above, the Group did not have any other material transactions or outstanding balances with related parties.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

31 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2021 HK\$' 000	31 December 2020 HK\$' 000 (Restated)	1 January 2020 HK\$' 000 (Restated)
Non-current assets			
Investments in subsidiaries	2,974,394	3,114,282	2,225,938
Interest in associates and joint ventures	1,975	–	20,759
Other financial assets	312,677	1,260,638	553,279
	<u>3,289,046</u>	<u>4,374,920</u>	<u>2,799,976</u>
Current assets			
Prepayments, deposits and other receivables	666	686	674
Amounts due from subsidiaries	261	268	42,122
Cash and cash equivalents	159,211	147,557	389,013
	<u>160,138</u>	<u>148,511</u>	<u>431,809</u>
Current liabilities			
Amounts due to subsidiaries	149,530	596,230	243,784
Other payables and accruals	2,681	7,292	2,684
	<u>152,211</u>	<u>603,522</u>	<u>246,468</u>
Net current assets/(liabilities)	<u>7,927</u>	<u>(455,011)</u>	<u>185,341</u>
Total assets less current liabilities	<u>3,296,973</u>	<u>3,919,909</u>	<u>2,985,317</u>
NET ASSETS	<u>3,296,973</u>	<u>3,919,909</u>	<u>2,985,317</u>
CAPITAL AND RESERVES			
Share capital	23	23	24
Reserves	3,296,950	3,919,886	2,985,293
TOTAL EQUITY	<u>3,296,973</u>	<u>3,919,909</u>	<u>2,985,317</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, <i>Reference to the conceptual framework</i>	1 January 2022
Amendments to IFRS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to IAS 37, <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
Amendments to IAS 1, <i>Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, <i>Disclosure of accounting policies</i>	1 January 2023
Amendments to IAS 8, <i>Definition of accounting estimates</i>	1 January 2023
Amendments to IAS 12, <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

33 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

In January 2022, the Group entered into a construction contract with The First Company of China Eighth Engineering Bureau Ltd. with a contract sum of RMB422,303,000 (equivalent to approximately HK\$515,004,000) in respect of the construction of office building(s) on the Land located in Jin'an District, Fuzhou, the PRC.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	Year ended 31 December				
	2021	2020	2019	2018	2017
		(Restated)	(Restated)	(Restated)	(Restated)
			(Note 1)	(Note 2)	
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Revenue	6,050,894	5,464,035	5,233,233	5,867,664	4,730,285
Cost of revenue	<u>(1,852,808)</u>	<u>(1,648,596)</u>	<u>(1,605,701)</u>	<u>(1,765,013)</u>	<u>(1,500,764)</u>
Gross profit	4,198,086	3,815,439	3,627,532	4,102,651	3,229,521
Other net (losses)/gains	(31,130)	995,854	250,776	70,607	33,308
Selling and distribution expenses	(1,953,129)	(1,436,566)	(1,292,402)	(1,462,184)	(1,238,680)
Administrative expenses	(447,829)	(358,853)	(356,358)	(349,951)	(260,518)
Research and development costs	(1,253,767)	(689,959)	(725,075)	(498,375)	(363,750)
Profit from operations	512,231	2,325,915	1,504,473	1,862,748	1,399,881
Finance costs	(5,976)	(3,465)	(3,775)	–	–
Share of results of associates and joint ventures	(60,038)	(17,922)	(11,808)	(10,415)	(5,161)
Profit before taxation	446,217	2,304,528	1,488,890	1,852,333	1,394,720
Income tax expenses	(76,605)	(207,746)	(197,282)	(368,848)	(186,294)
Profit for the year	<u>369,612</u>	<u>2,096,782</u>	<u>1,291,608</u>	<u>1,483,485</u>	<u>1,208,426</u>
Attributable to:					
Equity shareholders of the Company	370,438	2,097,015	1,291,705	1,482,434	1,215,389
Non-controlling interests	(826)	(233)	(97)	1,051	(6,963)

Note 1: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

Note 2: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

FINANCIAL SUMMARY

	As at 31 December				
	2021	2020	2019	2018	2017
		(Restated)	(Restated)	(Restated)	(Restated)
			(Note 1)	(Note 2)	
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Assets, Liabilities and Equity					
TOTAL ASSETS	4,454,192	4,881,118	3,711,071	3,128,575	2,489,449
TOTAL LIABILITIES	1,140,736	1,022,931	793,769	924,529	708,594
TOTAL EQUITY	3,313,456	3,858,187	2,917,302	2,204,046	1,780,855

Note 1: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated.

Note 2: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

DEFINITION

“Articles of Association”	the second amended and restated memorandum of association and articles of association of the Company adopted by special resolution passed on 30 June 2020
“Board” or “Board of Directors”	the board of directors of the Company
“Business day(s)”	a day on which banks in Hong Kong and the Cayman Islands are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong or the Cayman Islands
“BVI”	British Virgin Islands
“China” or “PRC”	the People’s Republic of China, for the purpose of the annual report, excluding Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Company”	IGG Inc, an exempted company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholders”	has the meaning ascribed thereto in the Listing Rules
“Corporate Governance Code”	corporate governance code contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Duke Online”	Duke Online Holdings Limited, an exempted company incorporated under the laws of the BVI on 10 September 2007 with limited liability, the entire issued share capital of which is owned by Mr. Zongjian Cai
“Edmond Online”	Edmond Online Holdings Limited, an exempted company incorporated under the laws of the BVI on 10 September 2007 with limited liability, the entire issued share capital of which is owned by Mr. Yuan Chi
“Founders”	Mr. Zongjian Cai (蔡宗建) and Mr. Yuan Chi (池元)
“Fuzhou Tianji”	Fuzhou TJ Digital Entertainment Co., Ltd.* (福州天極數碼有限公司), a limited liability company established under the laws of the PRC on 15 November 2007, a wholly-owned subsidiary of the Company

* For identification purpose only

DEFINITION

“Fuzhou Tianmeng”	Fuzhou Skyunion Digital Co., Ltd* (福州天盟數碼有限公司), a limited liability company established under the laws of the PRC on 12 December 2006, which is owned as to 50% by Mr. Deyang Zheng and 50% by Mr. Chengfeng Luo, respectively
“Fuzhou Tianmeng Registered Holders”	Mr. Deyang Zheng (鄭德陽) and Mr. Chengfeng Luo (羅承鋒)
“Fuzhou Tianmeng Structured Contracts”	a series of contracts which include the New Call Option Agreement, the New Exclusive Technical Consulting Service Agreement, the New Equity Pledge Agreement, the New Power of Attorney, the New Online Game Licensing Agreement and the Spouse Undertakings
“Fuzhou Tianping”	Fuzhou Tianping Digital Technology Co., Ltd.* (福州天平數碼科技有限公司), a limited liability company established under the laws of the PRC on 21 February 2020, a wholly-owned subsidiary of the Company
“Group”, “IGG”, “we”, “our” or “us”	the Company and its subsidiaries
“Hainan Tianzhi”	Hainan Tianzhi Network Technology Co., Ltd* (海南天志網絡科技有限公司), a limited liability company established under the laws of the PRC on 28 August 2020, a wholly-owned subsidiary of the Company
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“IGG (Hainan) Capital”	IGG (Hainan) Capital Co., Ltd.* (海南艾聚創業投資有限公司), a limited liability company established under the laws of the PRC on 3 August 2021, a wholly-owned subsidiary of the Company
“IGG Capital”	IGG Capital, an exempted company incorporated in the Cayman Islands with limited liability on 25 March 2021, a wholly-owned subsidiary of the Company
“IGG Capital Limited”	IGG Capital Limited, a limited company incorporated in Hong Kong under the laws of Hong Kong on 7 June 2021, a wholly-owned subsidiary of the Company
“IGG Singapore”	IGG Singapore Pte. Ltd., a company incorporated under the laws of Singapore on 30 June 2009, a wholly-owned subsidiary of the Company

* For identification purpose only

DEFINITION

“Independent Third Party(ies)”	individual(s) or company(ies) who is/are not connected with (within the meaning of the Listing Rules) any of the Company, Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
“IP”	Intellectual Property
“Land”	a piece of land located at eastern side of Fuguang Road, southern side of Hutang Road, old housing reconstruction project land lot no. 2 at Hutang Village and surrounding area, Jin’an District, Fuzhou, the PRC (Land Lot No. 2020-44 (2020-44號)), with a total site area of approximately 8,910 square metres, designated for business and commercial use with a term of land use rights of 40 years, the land use rights of which were acquired by Fuzhou Tianping pursuant to the State-owned Construction Land Use Rights Assignment Contract (國有建設用地使用權出讓合同) entered into between Fuzhou Tianping and Fuzhou Natural Resources and Planning Bureau on 15 September 2020
“Listing”	the listing of the Shares on the GEM
“Listing Date”	18 October 2013, on which dealings in Shares first commence on the GEM
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“MAU”	monthly active users
“Model Code”	the required standard of dealings for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules
“Performance-based Awarded Shares”	such number of Shares awarded by the Board pursuant to the Performance-based Share Award Scheme
“Performance-based Share Award Scheme”	the performance-based share award scheme adopted by the Company on 21 May 2021, in its present form or as amended from time to time in accordance with the provisions thereof
“Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company on 12 November 2008 and amended by written resolutions of all Shareholders passed on 16 September 2013, certain principal terms of which are summarised in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix IV to the Prospectus
“Previous Structured Contracts”	a series of contracts (as supplemented) which include the Call Option Agreement, the Exclusive Technical Consulting Service Agreement, the Equity Pledge Agreement, the Power of Attorney and the Online Game Licensing Agreement, details of which are set out on Page 84 to Page 85 of the 2018 Annual Report of the Company
“Prospectus”	the prospectus of the Company dated 11 October 2013

DEFINITION

“R&D”	research and development
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities Futures Ordinance, chapter 571 of the laws of Hong Kong
“SGD”	Singapore dollar, the lawful currency of Singapore
“Share(s)”	means ordinary share(s) of US\$0.0000025 each in the share capital of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 24 December 2013 and amended on 19 August 2021, the principal terms of which are summarised in the announcements of the Company dated 24 December 2013 and 19 August 2021
“Shareholder(s)”	shareholder(s) of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 16 September 2013, the principal terms of which are summarised under the paragraph headed “Share Option Scheme” in Appendix IV to the Prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Structured Contracts”	the Fuzhou Tianmeng Structured Contracts and the Xinhan Liaokuo Structured Contracts
“Xinhan Liaokuo”	Hainan Xinhan Liaokuo Network Technology Co., Ltd.* (海南新瀚遼闊網絡科技有限公司), a limited liability company established under the laws of the PRC on 29 September 2020, which is owned as to 50% by Mr. Deyang Zheng and 50% by Mr. Chengfeng Luo, respectively

* For identification purpose only

DEFINITION

“Xinhan Liaokuo Registered Holders”	Mr. Deyang Zheng (鄭德陽) and Mr. Chengfeng Luo (羅承鋒)
“Xinhan Liaokuo Structured Contracts”	a series of contracts which include the Xinhan Liaokuo Call Option Agreement, the Xinhan Liaokuo Exclusive Technical Consulting Service Agreement, the Xinhan Liaokuo Equity Pledge Agreement, the Second Power of Attorney, the Xinhan Liaokuo Online Game Licensing Agreement and the Second Spouse Undertakings
“USD” or “US\$”	United States dollars, the lawful currency of the United States of America
“Year”	the year ended 31 December 2021
“%”	per cent

If there is any inconsistency between the English and Chinese texts of this report, the English text of this report shall prevail over the Chinese text.