



SINO-ENTERTAINMENT
TECHNOLOGY HOLDINGS LIMITED
新娛科控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6933

2022
INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Huang Zhigang
Mr. He Shaoning

Independent Non-Executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

Mr. Yuen Chi Wai *FCPA*

AUTHORISED REPRESENTATIVES

Mr. Sui Jiaheng
Mr. Yuen Chi Wai

AUDITOR

Asian Alliance (HK) CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
8/F, Catic Plaza
8 Causeway Road
Causeway Bay, Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Postal Savings Bank of China

COMPANY'S INVESTOR RELATIONSHIP WEBSITE

<http://www.sinotecw.com>

STOCK CODE

6933

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2022 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i> (unaudited)	Change%
Revenue	10,155	61,735	(83.6%)
Gross profit	351	21,399	(98.4%)
(Loss)/Profit for the Period	(19,913)	7,319	(372.1%)

Revenue for the Period amounted to approximately RMB10,155,000, representing a decrease of 83.6% as compared with that of the corresponding period in previous year. All revenue were derived from publishing of third-party games and blockchain technology business during the Period.

Gross profit for the Period has decreased by 98.4% to approximately RMB351,000.

Loss for the Period was approximately RMB19,913,000, as compared with the net profit of approximately RMB7,319,000 for the corresponding period in the previous year.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Sino-Entertainment Technology Holdings Limited (the “**Company**”), I hereby present the interim report of the Company and its subsidiaries (collectively referred as the “**Group**”) for the six months ended 30 June 2022.

The Group recorded a net loss of approximately RMB19,913,000 for the Period, as compared with the net profit of approximately RMB7,319,000 for the six months ended 30 June 2021. Such net loss was mainly attributable to the decrease in revenue from game publishing service of the Group as a result of the substantial decrease in new games launching in the market due to the prolonged pre-approval process of the National Press and Publication Administration (the “**NPPA**”) in China.

In response to the prolonged pre-approval time from the NPPA and the fast changing marketing trend and hot topics in the mobile game industry, we put more focus to develop self-developed games faster with higher quality. We have engaged third party subcontractors for the provision of artistic solutions and music production services in the course of development of the Group's self-developed games such that the game production cycle of the self-developed games can be optimised by reducing the time and cost for the Group's staff to produce the artistic solutions and music for the games; whilst the creative element of the self-developed games can be enhanced with the utilisation of the marketing research ability of the third party subcontractors in the development of the games.

In view of the highly competitive mobile game publishing market, the Group has increased the budget for the down payment to up-stream game publishers or developers in the course of co-publishing of third party games. With a larger sum of down payment, the Group will be able to compete with other mobile games co-publishers in securing the mobile game publishing rights with better game quality and longer lifecycle developed by the reputable upstream game publishers or developers.

To continuously enhance the competitiveness of the Group in game publishing market, the Group has focused on developing businesses with high growth potential. The indirect subsidiary of the Company, SimpliFi, has begun providing digital services to liquidity pools operating on the leading blockchain protocols outside China during the Period.

Looking ahead, we will continue to focus on developing businesses with high growth potential, increasing game publishing capacities, strengthening the relationships with existing customers and developing relationships with new customers. We aim at strengthening our position in the industry and driving our business growth, in order to maximise the return for our Shareholders.

Appreciation

On behalf of the Board, I hereby express my sincere gratitude to the employees of the Group for their hard work and contributions.

Sui Jiaheng
Chairman

Hong Kong, 31 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

Revenue

For the Period, the Group's revenue amounted to approximately RMB10,155,000, representing a decrease of approximately 83.6% from that of approximately RMB61,735,000 for the six months ended 30 June 2021.

Publishing of self-developed games

During the Period, the Group did not publish any in-house mobile game with its own proprietary title, therefore, no publishing revenue was generated (for the six months ended 30 June 2021: one game with publishing revenue of approximately RMB3,208,000).

Publishing of third party games

During the Period, the Group provided publishing services as co-publisher in relation to 11 third-party games (for the six months ended 30 June 2021: 53 third-party games), contributing co-publishing revenue of approximately RMB9,377,000 (for the six months ended 30 June 2021: approximately RMB50,036,000).

Provision of digital services with blockchain technology

During the Period, the Group generated revenue from the newly developed blockchain technology business outside the PRC of approximately RMB778,000 (for the six months ended 30 June 2021: Nil).

Administrative expenses

Administrative expenses mainly included consumables costs, depreciation and auditor's remuneration. For the Period, the Group's administrative expenses amounted to approximately RMB12,855,000 (for the six months ended 30 June 2021: approximately RMB7,597,000). The increase was mainly attributable to the increase in promotion expense in the competitive gaming market in China and the increase in amortisation expense of intangible assets, and it is partially offset by the decrease in staff cost.

Taxation

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

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

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

Pursuant to the relevant regulations issued by the State Administration of Taxation ("SAT"), the Ministry of Finance ("MOF"), and/or other government authorities, software enterprises shall be exempted from EIT for two years from the first profit-making year and shall be taxed at half of the statutory tax rate from the third to the fifth year. One of the Group's PRC subsidiaries had its first qualified profit-making year in 2017 and the tax rates were 25%, 0%, 12.5%, 12.5%, 12.5% in the respective years from 2016 to 2020. Such subsidiary was accredited to "High and New Technology Enterprise" in December 2020 and is subject to tax rate of 15% during the Period.

Management Discussion and Analysis

Pursuant to Cai Shui (2011) No. 112 issued by SAT and MOF, from 1 January 2010 to 31 December 2020, a newly established enterprise, which complies with the “Announcement of the preferential enterprise income tax in respect of the two special Kashi and Khorgos economic development zones in Xinjiang Province”, is entitled to an EIT exemption for five years, commencing from the first operating revenue-making year. Pursuant to Cai Shui (2021) No. 27 issued by SAT and MOF, such tax benefit was extended from 1 January 2021 to 31 December 2030. Four of the Group’s PRC subsidiaries are incorporated in Khorgos economic development zone in Xinjiang Province in the PRC and entitled to such EIT exemption during the Period.

During the Period, one of the Group’s PRC subsidiaries is entitled to preferential EIT rate of 20% for small and micro enterprises pursuant to Cai Shui (2019) No. 13 issued by MOF and 40% tax-free exemption pursuant to Gui Zheng Fa (2014) No. 5 issued by the People’s Government of Guangxi Zhuang Autonomous Region in the PRC.

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

For the Period, income tax credit was approximately RMB63,000 (for the six months ended 30 June 2021: income tax expense approximately RMB434,000).

(Loss)/Profit for the Period

The Group’s loss for the Period was approximately RMB19,913,000 (for the six months ended 30 June 2021: net profit of approximately RMB7,319,000). Such loss is mainly attributable to the substantial decrease in revenue from game publishing as a result of substantial decrease in new games launching in the market due to the prolonged pre-approval process of the NPPA in China.

Interim Dividend

The Board does not recommend any distribution of interim dividend for the Period.

Gearing Ratio

The Group’s gearing ratio as at 30 June 2022, calculated on the basis of total bank and other borrowings divided by total equity at the end of the Period, was 24.5% (31 December 2021: zero).

Liquidity and Financial Resources

The operations of the Group are mainly financed by the cash generated from its operations. As at 30 June 2022, the net current assets of the Group amounted to approximately RMB241,610,000 (31 December 2021: approximately RMB254,943,000) and cash and cash equivalents as at 30 June 2022 amounted to approximately RMB8,506,000 (31 December 2021: approximately RMB88,256,000).

As at 30 June 2022, the Group has bank and other borrowings of approximately RMB66,611,000 (31 December 2021: nil).

Credit Risk

The Group uses provision matrix to calculate expected credit loss (the “**ECL**”) for the trade receivables and calculates the ECL for the other receivables by grouping the counterparties with similar nature under general approach. The provision of ECL is sensitive to changes in estimates. Due to the greater financial uncertainty triggered by the COVID-19 pandemic (the “**Pandemic**”), the Group has increased the ECL rates for the current Period as there is higher risk that a prolonged Pandemic could lead to increased credit default rates. Other than the higher risk of credit default with the prolonged Pandemic, the Directors consider that the impact of the Pandemic on the Group’s operations and the financial position is insignificant.

Currency Risk

The functional currency of the Group’s main operating subsidiaries is Renminbi as their substantial revenue is in Renminbi. However, certain subsidiaries of the Group have their assets and liabilities denominated in currencies other than Renminbi. The Group is subject to foreign exchange rate risk with respect to recognised assets and liabilities which are denominated in currencies other than Renminbi. The Group currently does not have a foreign exchange hedging policy. However, the management of the Group will continue to monitor foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Capital Commitments

As at 30 June 2022, other than the unpaid registered capital for the Group’s subsidiaries, the Group did not have any significant capital commitments (31 December 2021: nil).

Capital Structure

The Company’s capital structure remained unchanged after the listing of the Company’s Shares on 15 July 2020. The capital structure of the Group comprises equity interest attributable to the owners of the Company (including issued share capital and reserves). The Directors regularly review the capital structure of the Group. As part of the review, the Directors have considered the cost of capital and the associated risks of various types of capital.

Material Acquisitions and Disposals

Pursuant to the reorganisation, the Company became the holding company of the Group after the reorganisation. The details of the reorganisation are set out in the paragraph headed “Reorganisation” under the section headed “History, Reorganisation and Corporate Structure” in the Prospectus.

During the Period, other than the partial deemed disposal of SimpliFi which was completed on 26 January 2022, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

Management Discussion and Analysis

Employees and Remuneration Policy

As at 30 June 2022, the Group employed 50 (30 June 2021: 94) employees. Remunerations of the Group's employees were determined with reference to factors such as market terms, their qualification, responsibility, contribution and experience.

Pledged Assets and Contingent Liabilities of the Group

As at 30 June 2022, save as the pledged assets disclosed in note 15 to the Condensed Consolidated Financial Statements, there were no charges on the Group's assets and the Group did not have any contingent liabilities.

Prospects

The Group strives to shorten the production lead time by outsourcing the artistic solutions and music to develop games faster with higher quality. Increasing the budget for down payment to up-stream game publishers or developers to secure publishing rights of mobile games with good game quality will also ensure the Group to navigate through the turbulences of the mobile games market in China.

At the same time, there are numerous recent events related to the mobile games industry outside China such as the fast evolving blockchain games, and non-fungible tokens, etc. SimpliFi, the Company's indirect subsidiary, has begun providing digital services to liquidity pools operating on the leading blockchain protocols outside China and received service revenues during the Period. The Group believes the provision of such services to be its key and sustainable business of SimpliFi going forward.

The Group would adhere with the prevailing applicable policies and review the Group's business strategy regularly to capture business opportunities in China and overseas.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	4	10,155	61,735
Cost of sales		(9,804)	(40,336)
Gross profit		351	21,399
Other income		411	780
Other gains and losses		1,189	(525)
Administrative expenses		(12,855)	(7,597)
Finance costs		(449)	(5)
Impairment losses under expected credit loss model, net of reversal	11	(2,278)	(1,798)
Research and development expenses		(6,345)	(4,501)
(Loss) profit before tax		(19,976)	7,753
Income tax credit (expense)	5	63	(434)
(Loss) profit and total comprehensive (expense) income for the period	6	(19,913)	7,319
(Loss) profit and total comprehensive (expense) income for the period attributable to:			
— Owners of the Company		(19,889)	7,319
— Non-controlling interests		(24)	—
		(19,913)	7,319
(Loss) earnings per share	7		
— Basic (RMB cents)		(4.97)	1.83
— Diluted (RMB cents)		(4.97)	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property and equipment		21	30
Right-of-use assets		193	202
Intangible assets		30,140	32,061
Deferred tax assets		408	227
		<u>30,762</u>	<u>32,520</u>
CURRENT ASSETS			
Cryptocurrencies	9	94,871	—
Trade and other receivables	10	161,746	179,121
Pledged bank deposits		52,213	—
Bank balances and cash		8,506	88,256
		<u>317,336</u>	<u>267,377</u>
CURRENT LIABILITIES			
Trade and other payables	12	5,457	8,444
Lease liabilities		139	105
Bank and other borrowings	13	66,611	—
Tax liabilities		3,519	3,885
		<u>75,726</u>	<u>12,434</u>
NET CURRENT ASSETS		<u>241,610</u>	254,943
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>272,372</u>	287,463
NON-CURRENT LIABILITY			
Lease liabilities		58	101
NET ASSETS		<u>272,314</u>	287,362
CAPITAL AND RESERVES			
Share capital	14	281	275
Reserves		262,662	287,087
Equity attributable to owners of the Company		262,943	287,362
Non-controlling interests		9,371	—
TOTAL EQUITY		<u>272,314</u>	<u>287,362</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

Attributable to owner of the Company

	Share capital	Share premium	Other reserve	Statutory surplus reserve	Share held under share award scheme reserve	Share-based payment reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (audited)	275	104,355	5,000	4,140	—	—	176,062	289,832	—	289,832
Profit and total comprehensive income for the period	—	—	—	—	—	—	7,319	7,319	—	7,319
At 30 June 2021 (unaudited)	275	104,355	5,000	4,140	—	—	183,381	297,151	—	297,151
At 1 January 2022 (audited)	275	104,355	5,000	4,177	—	480	173,075	287,362	—	287,362
Loss and total comprehensive expense for the period	—	—	—	—	—	—	(19,889)	(19,889)	(24)	(19,913)
Issuance of shares under the share award scheme (Note 14)	6	—	—	—	(6)	—	—	—	—	—
Equity settled share-based transaction	—	—	—	—	—	3,619	—	3,619	—	3,619
Deem disposal of partial interest in a subsidiary (Note 16)	—	—	(8,149)	—	—	—	—	(8,149)	9,395	1,246
At 30 June 2022 (unaudited)	281	104,355	(3,149)	4,177	(6)	4,099	153,186	262,943	9,371	272,314

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	(11,659)	11,688
Decrease (increase) in trade and other receivables	15,097	(89)
Decrease in trade and other payables	(3,052)	(9,185)
Increase in cryptocurrencies	(94,845)	—
Decrease in contract liabilities	—	(728)
Cash (used in) from operations	(94,459)	1,686
Income tax paid	(484)	(1,221)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(94,943)	465
INVESTING ACTIVITIES		
Interest received from bank deposits	50	99
Purchase of property and equipment	(2)	—
Proceeds on disposal of partial interest in a subsidiary without losing control	1,246	—
NET CASH FROM INVESTING ACTIVITIES	1,294	99
FINANCING ACTIVITIES		
New bank and other borrowings raised	66,611	—
Placement of pledged bank deposits	(52,213)	—
Payment of lease liabilities	(78)	(74)
Interest paid on bank and other borrowings	(373)	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	13,947	(74)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(79,702)	490
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	88,256	106,196
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(48)	(202)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	8,506	106,484

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL

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

The Company is an investment holding company. The Company and its subsidiaries (the “**Group**”) are principally engaged in publishing and development of mobile games (the “**Listing Business**”) in the PRC and blockchain technology business outside the PRC. The operations of Listing Business are conducted by Luocheng Mulao Autonomous County Dinglian Technology Company Limited (“**Dinglian Technology**”) and its subsidiaries (the “**Operating Entities**”) while Dinglian Technology is legally owned by the Registered Shareholders.

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

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

1A. SIGNIFICANT EVENTS IN THE CURRENT PERIOD

During the current period, there is a substantial decrease in the Group’s revenue from the publishing of self-developed mobile games and third party mobile games as the launch of the Group’s new self-developed mobile games and new third party mobile games are pending for the pre-approval of the National Press and Publication Administration in the PRC.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

Contractual arrangements

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

2. BASIS OF PREPARATION (Continued)

Contractual arrangements (Continued)

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

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), and application of certain accounting policies, which become relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Revenue recognition from blockchain technology business

The Group engaged in the provision of digital service to liquidity pools operating on blockchain protocols and transaction verification services within cryptocurrency networks, commonly termed “cryptocurrency mining”. As consideration for these services, the Group receives non-cash consideration in the form of cryptocurrency from each specific network in which the Group participates and from the customers of the Group. Revenue is measured based on the fair value of the cryptocurrencies received. The fair value is determined using the spot price of the cryptocurrencies on the date of receipt. A cryptocurrency is considered earned on the completion of services and addition of a block to the blockchain, at which time the economic benefit is received and can be reliably measured. This fair value is determined by taking the price of the cryptocurrencies at 2400 hours (per the Hong Kong Time zone).

Cryptocurrencies

The Group considers cryptocurrencies as a type of intangible asset and accounts for cryptocurrencies held by the Group under the cost model. The cryptocurrencies held by the Group are considered to have indefinite life, given there is no foreseeable limit to the period over which the relevant cryptocurrencies are expected to generate net cash inflows for the Group. They are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised as an expense immediately when the recoverable amount is below the carrying amount. The recoverable amounts of the cryptocurrencies are determined as the higher of their fair values less costs of disposal and value in use. Fair values are estimated using the assumptions that market participants would use when pricing the cryptocurrencies, assuming that market participants act in their economic best interest.

Cryptocurrencies that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. The increased carrying amount of cryptocurrencies attributable to a reversal of an impairment loss, which is recognised in profit or loss, will not exceed the carrying amount that would have been determined had no impairment loss been recognised for the cryptocurrencies in prior accounting periods.

For the six months ended 30 June 2022

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies on application of Amendments to HKFRS 3 Reference to the Conceptual Framework

3.1.1 Accounting policies

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “**Conceptual Framework**”) except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

3.1.2 Transition and summary of effects

The Group applies the amendments to business combinations for which the acquisition date is on or after 1 January 2022. The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Impacts on application of Amendments to HKFRSs Annual Improvements to HKFRSs 2018–2020

The Group has applied the annual improvements which make amendments to the following standards:

HKFRS 9 Financial Instruments

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

HKFRS 16 Leases

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

HKAS 41 Agriculture

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

The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2022

	Publishing of third party mobile games RMB'000 (unaudited)	Publishing of self-developed mobile games RMB'000 (unaudited)	Development and sales of mobile games RMB'000 (unaudited)	Blockchain technology business RMB'000 (unaudited)	Total RMB'000 (unaudited)
Geographical market					
Outside the PRC	—	—	—	778	778
The PRC	9,377	—	—	—	9,377
Total	9,377	—	—	778	10,155
Timing of revenue recognition					
At a point of time	—	—	—	778	778
Over time	9,377	—	—	—	9,377
Segment revenue and revenue from contracts with customers	9,377	—	—	778	10,155

For the six months ended 30 June 2021

	Publishing of third party mobile games RMB'000 (unaudited)	Publishing of self-developed mobile games RMB'000 (unaudited)	Development and sales of mobile games RMB'000 (unaudited)	Total RMB'000 (unaudited)
Geographical market				
The PRC	50,036	3,208	8,491	61,735
Timing of revenue recognition				
At a point of time	—	—	8,491	8,491
Over time	50,036	3,208	—	53,244
Segment revenue and revenue from contracts with customers	50,036	3,208	8,491	61,735

For the six months ended 30 June 2022

4. REVENUE AND SEGMENT INFORMATION (Continued)**Disaggregation of revenue from contracts with customers** (Continued)

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
The contracts with customers are with:		
Variable consideration	9,377	53,244
Fixed price	778	8,491
	10,155	61,735

Segment Information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by Mr. Sui Jiaheng, an executive director of the Company, and Mr. Li Tao, an executive director and the chief executive officer of the Company, being the chief operating decision makers (the “**CODM**”), in order for the CODM to allocate resources and to assess performance.

During the six month ended 30 June 2022, the Group commenced engaging in the blockchain technology business outside China, and it is considered as a new operating and reportable segment by the CODM.

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

The Group's non-current assets are all located in the PRC and the Group's revenue is derived from different geographical markets as shown in the “Disaggregation of revenue from contracts with customers”.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

5. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax:		
PRC enterprise income tax ("EIT")	118	316
Under-provision in prior years		
PRC EIT	—	883
Deferred taxation	(181)	(765)
Income tax (credit) expense	(63)	434

6. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Depreciation and amortisation:		
Depreciation of property and equipment	11	37
Depreciation of right-of-use assets	74	70
Amortisation of intangible assets	1,921	1,922
Total depreciation and amortisation (note a)	2,006	2,029
Short-term lease payments	224	216
Research and development expenses (note a)	6,345	4,501
Legal and professional fees	955	1,336
Staff cost (note a)	2,188	3,542
Interest income from bank deposits	(50)	(99)
Government grants recognised (note b)	(144)	(500)
Value added tax deduction	(214)	(173)

For the six months ended 30 June 2022

6. (LOSS) PROFIT FOR THE PERIOD (Continued)

Notes:

- (a) Research and development expenses consist of subcontracting fee amounting to approximately RMB5,660,000 (six months ended 30 June 2021: approximately RMB2,217,000), staff costs for the Group's research and development personnel of approximately RMB624,000 (six months ended 30 June 2021: approximately RMB1,824,000), depreciation of property and equipment amounting to approximately RMB3,000 (six months ended 30 June 2021: approximately RMB10,000) and amortisation of intangible assets of approximately RMB58,000 (six months ended 30 June 2021: approximately RMB450,000) for the six months ended 30 June 2022 which are also included in "Staff cost" and "Total depreciation and amortisation" as above.
- (b) Pursuant to Luo Zheng Fa Ban 2020 No. 151 "Announcement from Encouraging Enterprise Development in Luocheng 2020" (the "**Announcement**"), the local government has launched series of grants to the entities established in Luocheng, including grants to those foreign-invested entities which utilised the funds received from their shareholders. Amount of government grant recognised mainly represented RMB100,000 (six months ended 30 June 2021: RMB400,000) received from the local government pursuant to the Announcement which is one-off in nature.

7. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	(19,889)	7,319
	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share (<i>note</i>)	400,000	400,000
Effect of shares awarded under share award scheme	9,168	—
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	409,168	400,000

Note :

Exclude the 9,168,000 ordinary shares (six months ended 30 June 2021: Nil) held under the share award scheme.

The computation of diluted loss per share for the six months ended 30 June 2022 did not include the shares held for share award plan since it would result in a decrease in loss per share for the period which was regarded as anti-dilutive.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

8. DIVIDEND

No dividend was paid, declared or proposed during both periods. The directors of the Company (the “**Directors**”) have determined that no dividend will be paid in respect of both periods.

9. CRYPTOCURRENCIES

	Binance USD RMB'000 (Unaudited)
COST	
At 1 January 2022	—
Addition	94,845
Exchange adjustment	26
At 30 June 2022	94,871

As at 30 June 2022, the Group estimated the recoverable amounts of the cryptocurrencies based on their fair values, which are arrived at using available information for the reference prices in the relevant cryptocurrencies markets. Their fair values were categorised under Level 1 fair value hierarchy as their fair values were based on a quoted (unadjusted) market price in active markets for identical assets. The Directors considered that there was no impairment loss on the cryptocurrencies as their recoverable amounts as at 30 June 2022 approximated to their carrying amounts.

For the six months ended 30 June 2022

10. TRADE AND OTHER RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	90,646	106,328
Less: Allowance for credit losses	(4,797)	(2,519)
	85,849	103,809
Down payments to game publishers — refundable	32,527	33,380
Less: Allowance for credit loss	(429)	(429)
Down payments to game publishers — refundable, net	32,098	32,951
Down payments to game publishers — non-refundable	25,620	19,220
Advances to suppliers (<i>Note b</i>)	15,130	20,188
Deposits and prepayments	119	236
Value-added tax recoverable	2,930	2,717
Other receivables, deposits and prepayments, net	75,897	75,312
Trade and other receivables, net	161,746	179,121

Notes:

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

During the six months ended at 30 June 2022, the Group has signed an overseas game publishing agreement with a game publishing partner. As at 30 June 2022, the respective contracted service has not been completed and a refundable down payment of RMB6,363,000 and a non-refundable down payment of RMB13,458,000 for (i) game publishing right, (ii) prepayment of an overseas game copyright and (iii) game publishing services fee (collectively referred as "Game Publishing") were unutilised.

During 2018 to 2020, the Group has signed an overseas game publishing agreement with another game publishing partner. As at 30 June 2022, the respective contracted service has not been completed and a refundable down payment of RMB14,099,000 (31 December 2021: RMB14,149,000) and no non-refundable down payment (31 December 2021: RMB500,000) for Game Publishing were unutilised.

- (b) As at 30 June 2022, the advances to suppliers represent the payment for the game advertising, brand promotion and games design.

The Group allows an average credit period of 90 to 180 days (31 December 2021: 90 to 180 days) to its debtors. The debtors collect payments from the game players and then repay the balance after deducting the service fees to the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

10. TRADE AND OTHER RECEIVABLES (Continued)

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0 to 90 days	2,046	16,537
91 to 180 days	5,011	24,850
181 to 365 days	38,112	44,897
Over one year	40,680	17,525
	85,849	103,809

As at 30 June 2022, all other receivables, deposit and prepayments are current and not yet past due.

11. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS (“ECL”) MODEL

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021.

The Group’s credit risk is primarily attributable to trade receivables. As part of the Group’s credit risk management, the Group applies internal credit rating for its customers and performs impairment assessment on trade receivables for lifetime ECL based on collective assessment. The Group used loss rates ranging from 0.45% to 28.20% (31 December 2021: 0.48% to 28.23%) for trade receivables. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the six months ended 30 June 2022, the Group provided a net impairment loss of approximately RMB2,278,000 (six months ended 30 June 2021: approximately RMB1,798,000) for trade receivables, based on the collective assessment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

12. TRADE AND OTHER PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables	4,395	7,334
Other tax payables	14	134
Payroll and welfare payables	417	441
Interest payables	86	—
Accrued expenses	483	476
Others	62	59
	5,457	8,444

The credit period on services provided by suppliers is generally from 30 to 90 days (31 December 2021: 30 to 90 days).

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0 to 30 days	2	1,111
31 to 60 days	—	2,070
61 to 90 days	1,241	2,109
91 to 180 days	2,338	2,034
Over 180 days	814	10
	4,395	7,334

For the six months ended 30 June 2022

13. BANK AND OTHER BORROWINGS

During the six months ended 30 June 2022, the Group obtained new bank borrowings of approximately RMB46,230,000 (31 December 2021: Nil). The bank borrowings carry interest rates at London Interbank Offered Rate (“**LIBOR**”) plus 1.55% to 2% per annum, secured by pledged bank deposits of approximately RMB52,213,000 and repayable within one year.

Loan covenants of the bank borrowings

The Group is required to comply with the following financial covenants throughout the continuance of the bank borrowings and/or as long as the bank borrowings is outstanding:

- to maintain a loan-value ratio at no more than or equal to 90% by reference to the total bank borrowings against the pledged bank deposits; and
- to maintain deposits placed with the bank of not less than the amount of interest payable of the bank borrowing for the coming three months.

The Group has complied with these covenants throughout the reporting period.

Other borrowings

During the six months ended 30 June 2022, the Group obtained new other borrowings of approximately RMB20,381,000 (31 December 2021: Nil) from DeFiner Limited (“**DeFiner**”) the non-controlling interests of SimpliFi Limited (“**SimpliFi**”). The other borrowings carry effective interest rates at 1.66% to 2.61% per annum, secured by all the assets of SimpliFi and repayable within one year.

For the six months ended 30 June 2022

14. SHARE CAPITAL

	Number of shares '000	Amount US\$'000	Amount shown in condensed consolidated financial statements RMB'000
<i>Ordinary shares of US\$0.0001 each</i>			
Authorised:			
At 1 January 2021 (audited), 30 June 2021 (unaudited), 1 January 2022 (audited) and 30 June 2022 (unaudited)	500,000	50	
Issued and fully paid:			
At 1 January 2021 (audited) and 30 June 2021 (unaudited) and 1 January 2022 (audited)	400,000	40	275
Issuance under share award plan (<i>Note</i>)	9,168	1	6
30 June 2022 (unaudited)	409,168	41	281

Note:

On 10 January 2022, the Company had issued and allotted approximately 9,168,000 ordinary shares, with aggregate nominal value of approximately US\$1,000 (equivalent to approximately RMB6,000) to the trustee of the share award plan for the purpose of awarding shares to the participants under the share award plan.

All the ordinary shares issued during the six months ended 30 June 2022 ranked pari passu with the existing ordinary shares in all respects.

15. PLEDGE ON ASSETS

At 30 June 2022, the Group has pledged bank deposits of approximately RMB52,213,000 to secure the bank borrowings of approximately RMB46,230,000 (31 December 2021: Nil).

At 30 June 2022, the Group has pledged all the assets of SimpliFi to secure the other borrowings of approximately RMB20,381,000 (31 December 2021: Nil).

For the six months ended 30 June 2022

16. CHANGES IN OWNERSHIP INTEREST IN A SUBSIDIARY WITHOUT LOSING CONTROL

Deemed disposal of partial interest in a subsidiary without losing control

On 26 January 2022, SimpliFi, an indirect wholly-owned subsidiary of the Company, allotted and issued an aggregate of 20,176,471 new ordinary share of SimpliFi to DeFiner, an independent third party, at a cash consideration of approximately HKD1,442,000 (equivalent to RMB1,246,000). This resulted in a decrease in the Group's equity interest in SimpliFi from 100% to 51%. The Group still retains its control over SimpliFi, which is then accounted for an equity transaction with non-controlling interests. The difference between the consideration and the carrying value of net assets disposed of amounting to approximately RMB8,149,000 was recognised in equity as other reserve and an increase of approximately RMB9,395,000 was recognised in the non-controlling interests.

DeFiner is principally engaged in the research and implementation of technologies in relation to blockchain applications. The board of directors is in the view that the share subscription by DeFiner provides an opportunity for the Group to build scalability in blockchain games and metaverse through complementary cooperation between the Group and DeFiner with its research and technological capabilities in blockchain services.

A schedule of the effect of deemed disposal of partial interest in a subsidiary without losing control is as follow:

	26 January 2022 RMB'000 (Unaudited)
Net assets of SimpliFi	19,173
49% equity interest in SimpliFi disposed of	9,395
Less: Consideration received	(1,246)
Difference recognised in other reserve	8,149

17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short-term employee benefits	689	625
Post-employment benefits	52	54
Share-based payments	110	—
	851	679

OTHER INFORMATION

INTERIM DIVIDEND

The Directors do not recommend any distribution of interim dividend for the six months ended 30 June 2022.

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

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

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2022, to the best of the knowledge of the Directors, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 or short positions which they are taken or deemed to have under such provision of the SFO), or which were required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Long Positions in the Shares of the Company

Director	Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company ⁽¹⁾
Mr. Sui Jiaheng ⁽²⁾	Interest in a controlled corporation	158,900,000	38.84%
Mr. Huang Zhigang ⁽³⁾	Interest in a controlled corporation	22,740,000	5.56%

Notes:

1. Based on 409,167,630 issued Shares as at 30 June 2022.
2. Mr. Sui Jiaheng is the sole shareholder of Sun JH Holding Ltd. which holds 158,900,000 Shares. Therefore, Mr. Sui is deemed to be interested in Sun JH Holding Ltd.'s interest in the Shares pursuant to the SFO.
3. Mr. Huang Zhigang is the sole shareholder of Together Win Capital (Holdings) Co., Ltd. which, pursuant to the SFO, is a control entity of HX Tech Holdings Limited and LYZ Tech Holding Ltd.. HX Tech Holdings Limited and LYZ Tech Holding Ltd. together hold in aggregate 22,740,000 Shares. Therefore, Mr. Huang Zhigang is deemed to be interested in Together Win Capital (Holdings) Co., Ltd.'s interest in the Shares pursuant to the SFO.

Other Information

(ii) Long position in associated corporations

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

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

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

Save as disclosed above, as at 30 June 2022, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

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

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2022, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company, had, or were deemed to have, interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

Long Positions in the Shares of the Company

Name	Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company⁽¹⁾
Sun JH Holding Ltd. ⁽²⁾	Beneficial interest	158,900,000	38.84%
Li Wei ⁽²⁾	Interest of spouse	158,900,000	38.84%
Together Win Capital (Holdings) Co., Ltd. ⁽³⁾	Interest in controlled corporations	22,740,000	5.56%

Notes:

1. Based on 409,167,630 issued Shares as at 30 June 2022.
2. Ms. Li Wei is the spouse of Mr. Sui Jiaheng. By virtue of the SFO, Ms. Li Wei is deemed to be interested in the same number of Shares in which Mr. Sui Jiaheng is deemed to be interested; Mr. Sui Jiaheng is the sole shareholder of Sun JH Holding Ltd. Therefore, Mr. Sui Jiaheng is deemed to be interested in Sun JH Holding Ltd.'s interest in the Shares pursuant to the SFO.
3. Together Win Capital (Holdings) Co., Ltd. is, pursuant to the SFO, a control entity of HX Tech Holdings Limited and LYZ Tech Holding Ltd., which hold 12,960,000 Shares and 9,780,000 Shares, respectively. Together Win Capital (Holdings) Co., Ltd. is deemed to be interested in an aggregate of 22,740,000 Shares pursuant to the SFO.

Save as disclosed above, as at 30 June 2022, the Directors are not aware of any other person, other than Directors and the chief executive of the Company, who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO; or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

For the six months ended 30 June 2022, the Company or any of its subsidiaries had not entered into any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

None of the Directors had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party as at 30 June 2022.

SHARE OPTION SCHEME

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

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

No option had been granted as at 31 December 2021 and up to 30 June 2022.

SHARE AWARD PLAN

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

The total number of Shares that can be subscribed for and/or purchased by the Trustee by applying the Group contribution for the purpose of the Share Award Plan shall not exceed 10% of the then total number of issued Shares from time to time (without taking into account the number of Shares to be subscribed for). The Board shall not instruct the Trustee to subscribe for and/or purchase any Shares for the purpose of the Share Award Plan when such subscription and/or purchase will result in such threshold being exceeded. As amended on 8 December 2021, the total number of Shares which may be subject to an award or awards each time granted to a selected participant shall not in aggregate exceed 1% of the total number of issued Shares as at the date(s) of such award(s). Duration of the Share Award Plan is 10 years commencing from its adoption date that is, 15 April 2021 but may be terminated earlier as determined by the Board.

On 8 December 2021, the Board resolved to issue a total of 9,167,630 new Shares pursuant to the general mandate granted by the Shareholders at the annual general meeting of the Company held on 25 June 2021 (the “**AGM**”), under which the maximum number of Shares that can be allotted and issued are 80,000,000 Shares (being 20% of the total number of the issued shares of the Company as at the date of the AGM), for the purpose of awarding a total of 9,167,630 awarded shares (the “**Awarded Shares**”) to 42 selected participants under the Share Award Plan. The Awarded Shares were issued on 10 January 2022.

COMPETING INTERESTS

For the six months ended 30 June 2022, the Directors are not aware of any business or interest of each Director, controlling Shareholder, management Shareholder and their respective associates (as defined in Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

COMPLIANCE WITH PRACTICES ON CORPORATE GOVERNANCE CODE

The Directors consider that for the six months ended 30 June 2022, the Company has adopted the principles and complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

Pursuant to Rule 3.21 of the Listing Rules, the Company has established an audit committee (“**Audit Committee**”), which operates under terms of reference approved by the Board. It is the Board’s responsibility to ensure that an effective internal control and risk management structure is in place within the Company, including internal controls and risk management to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial factors such as the benchmarking of key operational performance indicators. The Board has delegated the responsibility for the initial establishment and the maintenance of a structure of internal controls and risk management and ethical standards for the Group’s management to the Audit Committee. The Audit Committee currently comprises three independent non-executive Directors, namely Ms. Zhang Chunmei, Mr. Deng Chunhua and Ms. Chen Nan. Ms. Zhang Chunmei is the chairlady of the Audit Committee. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2022.

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

Hong Kong, 31 August 2022

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

GLOSSARY

In this interim report, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Sino-Entertainment Technology Holdings Limited (Stock code: 6933)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“EIT”	enterprise income tax in the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date
“Listing Date”	15 July 2020, on which dealing in the Shares first commenced on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Period”	the six months period ended 30 June 2022
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this report, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 30 June 2020
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of US\$0.0001 each in the share capital of the Company

Glossary

“Shareholder(s)”	holder(s) of the Share(s)
“SimpliFi”	SimpliFi Limited, previously named Luocheng Dinglian (International) Limited, the Company’s indirect subsidiary
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.