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火岩控股
FIRE ROCK HOLDINGS

火岩控股有限公司
FIRE ROCK HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1909)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

HIGHLIGHTS

- For the year ended 31 December 2022, the Group's revenue amounted to approximately HKD115.1 million (2021: approximately HKD1,035.2 million), representing a decrease of approximately 88.9%.
- For the year ended 31 December 2022, the Group's gross profit amounted to approximately HKD76.6 million (2021: approximately HKD867.1 million), representing a decrease of approximately 91.2%.
- For the year ended 31 December 2022, the Group's profit for the year amounted to approximately HKD35.5 million (2021: loss for the year approximately HKD1,211.5 million).
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2022.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2022

	<i>Notes</i>	2022 HKD'000	2021 <i>HKD'000</i>
Revenue	5	115,063	1,035,215
Direct costs		(38,470)	(168,134)
Gross profit		76,593	867,081
Other income	5	50,920	26,974
Research costs		—	(42,822)
Distribution costs		(42,028)	(85,093)
Administrative expenses		(22,794)	(99,273)
Penalties arising from the establishment of a gambling house through a game	3(c)	—	(560,585)
Loss on deconsolidation of subsidiaries	17	—	(1,200,338)
Finance costs		(18,505)	(19,415)
Profit/(loss) before income tax	6	44,186	(1,113,471)
Income tax expense	7	(8,699)	(97,986)
Profit/(loss) for the year		35,487	(1,211,457)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		935	26,808
Reclassification of exchange difference upon deconsolidation of subsidiaries		—	(44,265)
Other comprehensive income/(loss) for the year		935	(17,457)
Total comprehensive income/(loss) for the year		36,422	(1,228,914)
Profit/(loss) attributable to:			
Owners of the Company		30,201	(1,213,086)
Non-controlling interests		5,286	1,629
		35,487	(1,211,457)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		31,312	(1,230,404)
Non-controlling interests		5,110	1,490
		36,422	(1,228,914)
		HKD cents	<i>HKD cents</i>
Earnings/(loss) per share			
Basic and diluted	9	0.79	(31.59)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 HKD'000	2021 <i>HKD'000</i>
Non-current assets			
Property, plant and equipment		3,200	2,178
Intangible assets	<i>10</i>	3,218	—
Goodwill	<i>11</i>	—	—
Right-of-use assets		1,779	1,225
Financial assets at fair value through profit or loss		—	—
Deposits		<u>49,759</u>	<u>35,291</u>
		<u>57,956</u>	<u>38,694</u>
Current assets			
Trade receivables	<i>12</i>	9,832	9,620
Prepayment, deposits and other receivables		2,380	1,220
Cash and cash equivalents		<u>119,544</u>	<u>347,755</u>
		<u>131,756</u>	<u>358,595</u>
Current liabilities			
Lease liabilities		987	779
Other payables	<i>13</i>	17,881	229,069
Deferred revenue		7	18
Promissory notes	<i>14</i>	416,126	252,200
Tax payables		<u>3,725</u>	<u>2,167</u>
		<u>438,726</u>	<u>484,233</u>
Net current liabilities		<u>(306,970)</u>	<u>(125,638)</u>
Total assets less current liabilities		<u>(249,014)</u>	<u>(86,944)</u>
Non-current liabilities			
Lease liabilities		762	411
Promissory notes	<i>14</i>	168,041	366,613
Deferred tax liabilities		<u>3,437</u>	<u>1,671</u>
		<u>172,240</u>	<u>368,695</u>
Net liabilities		<u>(421,254)</u>	<u>(455,639)</u>
Equity			
Share capital	<i>15</i>	3,200	3,200
Reserves		<u>(433,209)</u>	<u>(464,589)</u>
Total equity attributable to owners of the Company		<u>(430,009)</u>	<u>(461,389)</u>
Non-controlling interests		<u>8,755</u>	<u>5,750</u>
Total deficit		<u>(421,254)</u>	<u>(455,639)</u>

NOTES

For the year ended 31 December 2022

1. GENERAL INFORMATION

Fire Rock Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 3 November 2014. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at 9th Floor, Block 1, Chongwen Garden, Nanshan IPark, 3370 Liuxian Avenue, Nanshan District, Shenzhen, Guangdong, The People’s Republic of China (the “**PRC**”) and changed to 20 Science Park Road, #02–25 Teletech Park, Singapore 117674 on 12 April 2023.

The Company is an investment holding company. The Company and its subsidiaries (collectively the “**Group**”) are principally engaged in the development of browser, mobile games (including game design, programming and graphics) and computer software related to game operation, on the basis of which licensing self-developed browser and mobile games to licensed operators around the world (“**Game Development**”), assist the third parties in promoting game-related business and provide intellectual property rights licensing services to enterprises (“**Game Publishing and Operation**”). The Group also self-operates self-developed game products in overseas markets.

The consolidated financial statements for the year ended 31 December 2022 were approved and authorised for issue by the board of directors on 27 July 2023.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of new/revised Hong Kong Financial Reporting Standards — effective 1 January 2022

The Group has adopted the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (HKFRSs comprise Hong Kong Financial Reporting Standard (“**HKFRS**”), Hong Kong Accounting Standards (“**HKAS**”) and Interpretations) for the first time for the current year’s consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
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

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

The Group will apply these standards to its consolidated financial statements for the first time in the annual period beginning on 1 January 2023 or later as appropriate. The Group is currently evaluating the potential impact of these standards on its consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared under historical costs basis, as modified by the revaluation of certain financial assets which are held at fair values.

(c) **Deconsolidation**

The Group had:- i) entire equity interest in Shenzhen Fire Element Network Technology Company Limited (“**Shenzhen Fire Element**”), Shenzhen Fire Element Network Science and Technology Company Limited (“**Shenzhen Fire Element Network Science and Technology**”) and Shenzhen Tak Shing Technology Limited (“**Shenzhen Tak Shing**”) and ii) effective control over Shenzhen Viking Network Technology Co., Limited (“**Shenzhen Viking**”) through contractual agreements (Shenzhen Fire Element, Shenzhen Fire Element Network Science and Technology, Shenzhen Tak Shing and Shenzhen Viking collectively referred as to the “**PRC Major Subsidiaries**”).

The directors of the Company (the “**Directors**”) are of the view that from the date of the event that the Public Security Bureau of Yuanjiang, Hunan Province, the People’s Republic of China (the “**PRC**”) commenced the investigation in December 2021, the Group had lost control to the assets of the PRC Major Subsidiaries and the ability to direct the operating and financial activities that significantly affect the Group’s returns over the PRC Major Subsidiaries, since 4 December 2021, based on the legal opinion issued by the Company’s PRC lawyer on 20 June 2023 and criminal judgement issued by the People’s Court of Yuanjiang, Hunan Province on 13 March 2023 (the “**Criminal Judgement**”) stating that:

- the management of the PRC Major Subsidiaries were detained by Public Security Bureau on 4 December 2021 for their committing the crime of establishment of a gambling house through the mobile game developed and operated by the PRC Major Subsidiaries; and
- the PRC Major Subsidiaries’ official seals, financial seals, financial records and computer hardware, which are necessary for operating the mobile games business in the PRC, were seized by Public Security Bureau on 4 December 2021.

After having taken into account the applicable requirements under the HKFRSs in relation to the consolidated financial statements of the Group for the year ended 31 December 2021, the Directors consider that all the PRC Major Subsidiaries shall be deconsolidated from the Group with effect from 4 December 2021, on the basis that (i) the relevant computers and equipment (including but not limited to the official seals, financial seals, financial records and computer hardware), which is necessary for operating the mobile games business in the PRC, were confiscated and withheld in accordance with the law, and (ii) the management of the PRC Major Subsidiaries were detained and were not been able to perform their duties (i.e. the ability to direct the operating and financing activities that significantly affect the Group’s returns) to the PRC Major Subsidiaries since 4 December 2021.

According to the Criminal Judgement, it was ruled to confiscate and withhold the bank balances of the PRC Major Subsidiaries amounting to approximately RMB464,910,000 (approximately HKD560,585,000).

During the year ended 31 December 2021, a provision for penalties arising from the establishment of a gambling house through a mobile game of HKD560,585,000 was made to reflect such outcome of the ruling.

(d) **Going concern basis**

For the year ended 31 December 2022, the Group’s current liabilities exceeded its current assets by approximately HKD306,970,000 and the Group had net liabilities of approximately HKD421,254,000.

The Directors have given careful considerations to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to meet its financial obligations for at least 12 months from the date of approval of the consolidated financial statements, taking into consideration a number of plans and measures as set out below:

- The Group continues to operate its game operation in Thailand, which will continue to generate profits and cash inflows to the Group;
- The Group will continue to obtain external source of fundings from potential investors and/or financial institutions;
- The Directors have been implementing various strategies to enhance the Group's revenue by certain potential strategic acquisitions; and
- On 30 June 2023, the promissory notes holders have agreed to surrender the promissory notes to the Company and give up the right to the outstanding principal amounts and interest payables.

The Directors are of the opinion that, considering the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from the date of approval of the consolidated financial statements. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

4. SEGMENT INFORMATION

(a) Reportable segments

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

For the years ended 31 December 2022 and 2021, the Group has two reportable segments. These segments are managed separately as each business offers different products and services which require different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Game and software development and publishing
- Game operation and publishing — Mobile game operation and/or publishing for earning game operation income

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Revenue from contracts with customers:		
Game and software development and publishing	160	64,384
Game operation and publishing	114,903	970,831
	115,063	1,035,215

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

Information regarding the Group's reportable segments for the years ended 31 December 2022 and 2021 is set out below.

	For the year ended 31 December 2022		
	Game and software development and publishing <i>HKD'000</i>	Game operation and publishing <i>HKD'000</i>	Total <i>HKD'000</i>
Revenue from external customers	<u>160</u>	<u>114,903</u>	<u>115,063</u>
Reportable segment (loss)/profit	(16,079)	31,241	15,162
Interest income	115	26	141
Government grants	212	—	212
Finance costs	82	20	102
Depreciation and amortisation	1,419	546	1,965
Income tax expense	454	8,245	8,699
Reportable segment assets	100,995	45,121	146,116
Reportable segment liabilities	6,483	12,171	18,654
Additions to non-current assets	<u>5,984</u>	<u>1,002</u>	<u>6,986</u>
	For the year ended 31 December 2021		
	Game and software development and publishing <i>HKD'000</i>	Game operation and publishing <i>HKD'000</i>	Total <i>HKD'000</i>
Revenue from external customers	652,141	970,831	1,622,972
Inter-segment revenue	<u>(587,757)</u>	<u>—</u>	<u>(587,757)</u>
Reportable segment revenue	<u>64,384</u>	<u>970,831</u>	<u>1,035,215</u>
Reportable segment loss	(3,162)	(1,062,646)	(1,065,808)
Interest income	6,125	1,880	8,005
Government grants	5,927	7,939	13,866
Finance costs	387	64	451
Depreciation and amortisation	31,996	37,935	69,931
Income tax expense	87,439	5,153	92,592
Reportable segment assets	282,160	29,183	311,343
Reportable segment liabilities	153,517	11,709	165,226
Additions to non-current assets	<u>30,395</u>	<u>805,500</u>	<u>835,895</u>

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

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
<i>Profit/(loss) before income tax</i>		
Reportable segment profit/(loss)	15,162	(1,065,808)
Unallocated interest income	8	68
Unallocated corporate income/(expenses)	<u>29,016</u>	<u>(47,731)</u>
Consolidated profit/(loss) before income tax	<u><u>44,186</u></u>	<u><u>(1,113,471)</u></u>
<i>Assets</i>		
Reportable segment assets	146,116	311,343
Unallocated corporate assets	<u>43,596</u>	<u>85,946</u>
Consolidated total assets	<u><u>189,712</u></u>	<u><u>397,289</u></u>
<i>Liabilities</i>		
Reportable segment liabilities	18,654	165,226
Unallocated corporate liabilities	<u>592,312</u>	<u>687,702</u>
Consolidated total liabilities	<u><u>610,966</u></u>	<u><u>852,928</u></u>

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

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

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Primary geographical markets*		
The PRC	—	920,252
Asia Pacific	<u>115,063</u>	<u>114,963</u>
	<u><u>115,063</u></u>	<u><u>1,035,215</u></u>

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

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Timing of revenue recognition		
Over time	—	7,593
At a point in time	<u>115,063</u>	<u>1,027,622</u>
	<u><u>115,063</u></u>	<u><u>1,035,215</u></u>

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

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Non-current assets		
Thailand	1,773	1,383
Hong Kong	51,015	35,497
Singapore	<u>5,168</u>	<u>1,814</u>
	<u><u>57,956</u></u>	<u><u>38,694</u></u>

(c) Information about major Licensed Operators

There was no revenue from customers individually contributing over 10% to the total revenue of the Group for the years ended 31 December 2022 and 2021.

5. REVENUE AND OTHER INCOME

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Revenue		
Game and software development and publishing	160	64,384
Game operation and publishing	<u>114,903</u>	<u>970,831</u>
	<u>115,063</u>	<u>1,035,215</u>
Other income		
Government grants (<i>Note</i>)	212	13,866
Interest income	149	8,073
Exchange gain, net	50,532	—
Others	<u>27</u>	<u>5,035</u>
	<u>50,920</u>	<u>26,974</u>

Note:

During the year ended 31 December 2022, the Group received grants from the PRC government for awarding the contribution to economic growth and technology development amounting to Nil (2021: HKD13,866,000) and Nil (2021: Nil) respectively.

6. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging/(crediting):

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Auditors' remuneration:		
— Audit service		
— Current external auditor	2,000	3,000
— Previous external auditor	—	108
— Non-audit service		
— Previous external auditor	—	300
Amortisation of intangible assets*	—	63,416
Depreciation of property, plant and equipment**	822	4,412
Depreciation of right-of-use assets**	1,143	4,783
Loss on disposals of property, plant and equipment	—	3
Short-term leases expenses	595	2,328
Legal and professional fees	2,453	11,476
Exchange (gain)/loss, net	(50,532)	8,682
Impairment loss on property, plant and equipment	302	—
Expected credit loss on other receivables	<u>412</u>	<u>—</u>

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

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

7. INCOME TAX EXPENSE

	2022	2021
	<i>HKD'000</i>	<i>HKD'000</i>
Current year — PRC Enterprise Income Tax		
— Tax for the year	—	87,620
— Withholding tax on dividends	—	49,882
Current year — Thailand Corporate Income Tax		
— Tax for the year	6,435	3,849
— Over-provision in respect of prior years	—	(650)
— Withholding tax on dividends	454	122
	<u>6,889</u>	140,823
Deferred tax	1,810	(42,837)
	<u>8,699</u>	<u>97,986</u>

8. DIVIDENDS

The Board does not recommend the payment of any final dividend for the years ended 31 December 2022 and 2021.

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit (2021: loss) attributable to owners of the Company of approximately HKD30,201,000 (2021: HKD1,213,086,000) and the weighted average number of 3,840,000,000 ordinary shares (2021: 3,840,000,000 ordinary shares) in issue during the year.

Diluted earnings/(loss) per share are the same as the basic earnings/(loss) per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2022 and 2021.

10. INTANGIBLE ASSETS

	Game and software intellectual properties <i>HKD'000</i>	Development costs <i>HKD'000</i>	Trademark <i>HKD'000</i>	Platform and domain names <i>HKD'000</i>	Reacquired license rights <i>HKD'000</i>	Total <i>HKD'000</i>
Cost						
At 1 January 2021	53,402	32,717	—	—	—	86,119
Additions	—	22,178	—	—	—	22,178
Acquisition of subsidiaries (<i>note 16</i>)	1,656	—	56,591	256,350	43,120	357,717
Deconsolidation of subsidiaries (<i>note 17</i>)	(85,727)	(27,111)	(57,769)	(261,687)	(44,018)	(476,312)
Transfer	28,653	(28,653)	—	—	—	—
Exchange alignment	2,016	869	1,178	5,337	898	10,298
At 31 December 2021 and 1 January 2022	—	—	—	—	—	—
Additions	—	3,146	—	—	—	3,146
Exchange alignment	—	72	—	—	—	72
At 31 December 2022	—	3,218	—	—	—	3,218
Accumulated amortisation and impairment						
At 1 January 2021	38,779	—	—	—	—	38,779
Charge for the year	30,568	—	5,221	23,649	3,978	63,416
Deconsolidation of subsidiaries (<i>note 17</i>)	(70,926)	—	(5,295)	(23,988)	(4,035)	(104,244)
Exchange alignment	1,579	—	74	339	57	2,049
At 31 December 2021, 1 January 2022 and 31 December 2022	—	—	—	—	—	—
Net carrying value						
At 31 December 2022	—	3,218	—	—	—	3,218
At 31 December 2021	—	—	—	—	—	—

11. GOODWILL

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
COST		
At beginning of the year	—	—
Acquisition of subsidiaries (<i>note 16</i>)	—	764,628
Deconsolidation of subsidiaries (<i>note 17</i>)	—	(780,545)
Exchange alignment	—	15,917
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

Note:

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units that are expected to benefit from that business combination.

During the year ended 31 December 2021, additions of goodwill of approximately RMB638,174,000 (approximately HKD764,628,000) is attributable to the acquisition of Tak Shing International Holdings Limited and its subsidiaries (*note 16*). The whole amount of goodwill was deconsolidated upon the loss of control of the PRC Major Subsidiaries on 4 December 2021 as disclosed in *note 17*.

12. TRADE RECEIVABLES

The Group normally allows a credit period within 120 days to its Licensed Operators, third party game distribution platforms and payment channels.

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

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
0–30 days	<u>9,832</u>	<u>9,620</u>

13. OTHER PAYABLES

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Other payables	1,057	1,924
Accruals	9,160	10,751
Amounts due to a deconsolidated subsidiary (<i>note</i>)	<u>7,664</u>	<u>216,394</u>
	<u>17,881</u>	<u>229,069</u>

Note:

The balance represents the amounts owed by the Company and certain subsidiaries of the Group to Shenzhen Fire Element. The amounts are interest-free, unsecured and repayable on demand. The Group has fully settled the outstanding balances before the date of this announcement.

14. PROMISSORY NOTES

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
At beginning of the year	618,813	—
Issuance of promissory notes	—	717,147
Accrued interest expenses	17,096	18,162
Imputed interest accrued	1,307	801
Repayment of principal of promissory notes	—	(130,623)
Exchange alignment recognised in profit or loss	<u>(53,049)</u>	<u>13,326</u>
At the end of the year	<u>584,167</u>	<u>618,813</u>

On 4 February 2021, the Company issued promissory notes with aggregate principal amount of RMB600,000,000 (equivalent to approximately HKD717,147,000) as part of the consideration to acquire the entire equity interest in the Tak Shing International Holdings Limited (note 16). The promissory notes are unsecured, interest-bearing at 3% per annum and to be settled by eight equal instalments of RMB75,000,000 per instalment, payable semi-annually from 30 June 2021 and up to 31 December 2024. All interests are accrued and paid annually. The Company may redeem (in full or in part) the promissory notes at any time prior to its maturity (i.e. 31 December 2024) by giving prior written notice to the promissory note holder. The promissory notes are measured at amortised cost and using the effective interest rates at 3.11%.

Represented by:

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Current	416,126	252,200
Non-current	<u>168,041</u>	<u>366,613</u>
	<u><u>584,167</u></u>	<u><u>618,813</u></u>

15. SHARE CAPITAL

	Number of ordinary shares	Amount <i>HKD'000</i>
Authorised:		
At 1 January 2021	6,000,000,000	20,000,000
Share subdivision (<i>note</i>)	<u>18,000,000,000</u>	<u>—</u>
At 31 December 2021, 1 January 2022 and 31 December 2022	<u>24,000,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
At 1 January 2021	960,000,000	3,200,000
Share subdivision (<i>note</i>)	<u>2,880,000,000</u>	<u>—</u>
At 31 December 2021, 1 January 2022 and 31 December 2022	<u>3,840,000,000</u>	<u>3,200,000</u>

Notes:

The shareholders of the Company approved that each of the authorised and issued ordinary share of one third Hong Kong cents each was subdivided into four subdivided ordinary shares of one-twelfth Hong Kong cents each and the share subdivision was became effective on 4 May 2021.

16. ACQUISITION OF TAK SHING INTERNATIONAL HOLDINGS LIMITED

On 4 February 2021 (the “**Completion Date**”), the Group completed the acquisition of entire equity interest of Tak Shing International Holdings Limited (the “**Acquisition**”).

Tak Shing International Holdings Limited (“**Tak Shing International**”) is an investment holding company which holds the entire issued share capital of Tak Shing Group Hong Kong Limited, which in turn holds the entire equity interest in the Shenzhen Tak Shing Technology Limited which through the contractual arrangements, will have effective control over the financing and operations of the Shenzhen Viking Network Technology Company Limited (“**Shenzhen Viking**”), and enjoy the economic interest and benefits of Shenzhen Viking. Shenzhen Viking is principally engaged in game operating business.

The fair value of identifiable assets and liabilities of Tak Shing International as at the date of acquisition were as follows:

	<i>HKD'000</i>
Property, plant and equipment	1,973
Intangibles assets (<i>note 10</i>)	357,717
Right-of-use assets	945
Trade receivables	359
Prepayment, deposits and other receivables	89,326
Bank balances and cash	95,334
Trade and other payables*	(143,218)
Lease liabilities	(924)
Deferred tax liabilities	(89,548)
	<hr/>
Total identifiable net assets acquired	<u>311,964</u>

* Included an amount of HKD67,506,000 was due to Shenzhen Fire Element.

The Directors have determined the fair value of the identifiable assets and liabilities of Tak Shing International on the Completion Date with reference to the valuation report issued by Peak Vision Appraisals Limited (“**Peak Vision**”).

The estimated fair values of the identifiable intangible assets, comprising (i) trademark, (ii) platform and domain names and (iii) reacquired license rights, amounting to HKD56,591,000, HKD256,350,000 and HKD43,120,000 respectively, were determined with reference to the independent valuation report issued by Peak Vision as of Completion Date. The intangible assets are estimated to have useful lives ranged from 1 to 10 years.

Fair value of net assets to be acquired represents:

	<i>HKD'000</i>
Net assets of Tak Shing International on the Completion Date	44,918
Fair value adjustments on:	
Intangible assets	356,061
Deferred tax liabilities arising from fair value adjustment on intangible assets	<u>(89,015)</u>
Total identifiable net assets acquired	311,964
Goodwill (<i>note 11</i>)	<u>764,628</u>
	<u>1,076,592</u>
Fair value of purchase considerations	<u>1,076,592</u>
Fair value of purchase considerations represented by:	
Cash consideration	359,445
Promissory notes (<i>note 14</i>)	<u>717,147</u>
	<u>1,076,592</u>

The consideration for the Acquisition is RMB900,000,000 (equivalent to approximately HKD1,076,592,000) which is satisfied by the Group in cash of RMB300,000,000 (equivalent to approximately HKD359,445,000) and promissory notes with principal amount of RMB600,000,000 (equivalent to approximately HKD717,147,000). The promissory notes are scheduled to be settled by eight instalments by 31 December 2024. Interest is accrued on the outstanding principal at the rate of 3% per annum and payable annually in arrears. The fair value of promissory notes at Completion date is HKD717,147,000 after considering the effect of interest accrued.

Goodwill arose in the Acquisition included amounts in relation to the benefit of expected revenue growth, future market development and the assembled workforce of Shenzhen Viking. The Group could leverage its resources to facilitate the Shenzhen Viking to expand the business in China and capture the opportunities of the mobile games market. The Acquisition is in line with the business strategy of the Group.

Goodwill arose in the Acquisition is not expected to be deductible for tax purpose.

Net cash outflow arising from the Acquisition:

	<i>HKD'000</i>
Purchase consideration settled by cash	359,445
Bank balances and cash acquired	<u>(95,334)</u>
Net cash outflow	<u><u>264,111</u></u>

The acquisition-related costs of HKD5,091,000 have been accounted as expenses in the periods in which the costs are incurred and the services are received.

The fair value and the gross amount of trade and other receivables amounted to HKD50,377,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Since the Completion Date, Tak Shing International and its subsidiaries contributed a revenue of HKD799,543,000 and a profit after tax of HKD111,637,000 to the Group up to 4 December 2021. Included in the loss after tax for the year ended 31 December 2021, an amount of HKD533,728,000 represented the royalties paid to Shenzhen Fire Element, which was eliminated in the consolidated financial statements. If the acquisition had occurred on 1 January 2021, the Group's revenue and loss after tax for the year ended 31 December 2021 would have been HKD1,099,231,000 and HKD1,218,021,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of further performance.

17. DECONSOLIDATION OF SUBSIDIARIES

As disclosed in note 3(c) to this announcement, the Directors considered that the Group had lost control over the PRC Major Subsidiaries on 4 December 2021. The net assets of the PRC Major Subsidiaries at 4 December 2021 were as follows:

	<i>HKD'000</i>
Property, plant and equipment	6,906
Intangible assets (<i>note 10</i>)	372,068
Right-of-use assets	8,283
Goodwill (<i>note 11</i>)	780,545
Financial assets at fair value through profit or loss	18,346
Trade receivables	49,107
Prepayment, deposits and other receivables	60,492
Amounts due from the Group	216,394
Bank balances and cash	430,308
Trade and other payables	(601,097)
Deferred revenue	(704)
Lease liabilities	(8,868)
Tax payable	(108)
Deferred tax liabilities	(83,083)
	<hr/>
Net assets of the PRC Major Subsidiaries	1,248,589
Less: Release of foreign exchange reserve	(44,265)
Release of non-controlling interests	(3,986)
	<hr/>
Loss on deconsolidation of subsidiaries	<u>1,200,338</u>

An analysis of the net outflow of cash and cash equivalents in respect of the deconsolidation of the PRC Major Subsidiaries are as follows:

	<i>HKD'000</i>
Bank balances and cash	<u>(430,308)</u>

18. EVENTS AFTER THE REPORTING PERIOD

- (a) As disclosed in the announcement of the Company dated 30 June 2023 regarding the very substantial acquisition in relation to the acquisition of 100% equity interests in Tak Shing International Holdings Limited, the Company, the Vendors and their respective ultimate beneficial owners have all agreed upon negotiation to procure all the Vendors to surrender the Promissory Notes to the Company and give up the right to the outstanding principal amount totaling to RMB491,670,000 and their respective interest payables totaling to RMB37,416,825 as at 30 June 2023.
- (b) In March 2023, the Group disposed its entire equity interest in Lord Metaverse Co. Ltd., a subsidiary of the Group, at a cash consideration of THB810,000 (approximately HKD185,000).

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

QUALIFIED OPINION

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

1. Comparative information

We were firstly appointed as auditor of the Company on 13 April 2023. As set out in notes 3(c) and 32 to the Group’s consolidated financial statements for the year ended 31 December 2022, the directors of the Company (the “**Directors**”) considered that the Group had lost control (i.e. the ability to direct the operating and financing activities that significantly affect the Group’s returns) over Shenzhen Fire Element Network Technology Company Limited (“**Shenzhen Fire Element**”), Shenzhen Fire Element Network Science and Technology Company Limited (“**Shenzhen Fire Element Network Science and Technology**”), Shenzhen Tak Shing Technology Limited (“**Shenzhen Tak Shing**”) and Shenzhen Viking Network Technology Co., Limited (“**Shenzhen Viking**”), collectively referred as to the “**PRC Major Subsidiaries**”, since 4 December 2021 (the “**Deconsolidation Date**”) based on the legal opinion issued by the Company’s PRC lawyer on 20 June 2023 and criminal judgement issued by the People’s Court of Yuanjiang, Hunan Province on 13 March 2023 stating that:-

- the management of the PRC Major Subsidiaries were detained by Public Security Bureau on 4 December 2021 for their committing the crime of establishment of a gambling house through the mobile game developed and operated by the PRC Major Subsidiaries; and
- the PRC Major Subsidiaries’ official seals, financial seals, financial records and computer hardware, which are necessary for operating the mobile games business in the PRC, were seized by the Public Security Bureau on 4 December 2021;

As a result, the operation of the PRC Major Subsidiaries was substantially ceased since 4 December 2021. The Directors considered that the financial position, financial performance and cash flows of the PRC Major Subsidiaries are significant to the Group's consolidated financial statements for the year ended 31 December 2021. The Directors prepared the consolidated financial statements of the Group for the year ended 31 December 2021 based on the PRC Major Subsidiaries' unaudited statement of financial position as at 4 December 2021 and unaudited statement of profit or loss for the period from 1 January 2021 to 4 December 2021. However, as a result of the circumstances described above, the Directors were unable to provide us with the complete set of accounting books and records for the PRC Major Subsidiaries. We were therefore unable to carry out audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether items below are free from material misstatements:-

- the Group's consolidated equity on 1 January 2021;
- the corresponding figures (in respect of the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2021, which are substantially attributable to the PRC Major Subsidiaries, and the related disclosure notes) disclosed in the consolidated financial statements for the year ended 31 December 2022;
- the existence, rights and obligations, completeness, accuracy and fair value of assets and liabilities acquired, the related deferred tax adjustment and the corresponding goodwill from the acquisition of the holding company of Shenzhen Tak Shing and Shenzhen Viking at the acquisition date in 2021 as set out in note 31 to the consolidated financial statements and the disclosure of such in other related disclosure notes for the year ended 31 December 2022; and
- the existence, rights and obligations, completeness, accuracy, valuation of assets and liabilities of PRC Major Subsidiaries at the Deconsolidation Date and the loss arising from the deconsolidation of PRC Major Subsidiaries of approximately HKD1,200,338,000 for the year ended 31 December 2021 as set out in note 32 to the consolidated financial statements and the disclosure of such in other related disclosure notes for the year ended 31 December 2022.

Our opinion on the current year's consolidated financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

2. Valuation of refundable deposits paid for strategic acquisitions

As set out in note 20(a) to the consolidated financial statements for the year ended 31 December 2022, the Group had paid refundable deposits of US\$2,500,000 (equivalent to approximately HKD19,500,000) and US\$4,500,000 (equivalent to approximately HKD35,024,000) at 31 December 2022 and 2021 respectively to a party (the “**Vendor**”) for the acquisition of certain equity shares in an entity (the “**Target**”), which is engaged in provision of digital payment services in Singapore, held by the Vendor. In April 2022, US\$2,000,000 (equivalent to approximately HKD15,524,000) was refunded by the Vendor. According to the deed signed on 21 June 2022 and the agreement on 2 July 2022 entered into between the Vendor and the Group, the Vendor agreed to repay the remaining balance of US\$2,500,000 (equivalent to approximately HKD19,500,000) through the transfer of the Vendor’s certain equity shares in the Target to a private fund wholly-owned by the Group, which the Group is a limited partner, at a consideration per share in the Target to be agreed between the Vendor and the Group. The Directors represented that the transfer of the aforesaid shares in the Target is subject to the approval by the relevant regulatory body in Singapore and the transfer application had been submitted to the relevant regulatory body. However, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves:

- whether the transfer of the aforesaid shares in the Target has been submitted and in the process of approval by the relevant regulatory body; and
- as to the valuation of the deposit of HKD19,500,000 and HKD35,024,000 at 31 December 2022 and 2021 respectively and whether any impairment loss to this deposit is necessary at those dates.

Any adjustments found to be necessary in respect of the refundable deposit had we obtained sufficient appropriate audit evidence would have had a consequential effect on the Group’s consolidated financial statements for the years ended 31 December 2022 and 2021.

Accordingly, our audit opinion on the consolidated financial statements for the year ended 31 December 2021 was disclaimed.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Overview

The Group is a well-established game developer, publisher and operator. During the year, the Group strategically expanded its main business to more diversified services, including publishing Internet application technology business and investment business. For the year ended 31 December 2022, the profit attributable to equity holders of the Company was HKD30.2 million, while for the year ended 31 December 2021, the loss attributable to equity holders of the Company was HKD1,213.1 million.

Looking forward, the Group will further enhance the business relating to third party's licensed game publishing, intellectual property rights (e.g. game operation platform program) licensing services to enterprise, online marketing and digital support activities and game operation business in overseas market.

Revenue

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

In 2022, the Group's revenue was approximately HKD115.1 million, representing an decrease from approximately HKD1,035.2 million in 2021, which was primarily due to the deconsolidation of the subsidiaries in the PRC on 4 December 2021, which contributed a significant portion of revenue of the Group.

Revenue by geographical markets

The following table sets forth our revenue from our games based on geographical territories in absolute amounts and as a percentage of our revenue for the years indicated:

	For the year ended 31 December			
	2022		2021	
	<i>HKD'000</i>	<i>%</i>	<i>HKD'000</i>	<i>%</i>
The PRC	—	—	920,252	88.9
Asia Pacific (place of domicile)	<u>115,063</u>	<u>100.0</u>	<u>114,963</u>	<u>11.1</u>
Total	<u>115,063</u>	<u>100.0</u>	<u>1,035,215</u>	<u>100.0</u>

Direct costs

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

	For the year ended 31 December			
	2022		2021	
	<i>HKD'000</i>	<i>%</i>	<i>HKD'000</i>	<i>%</i>
Staff costs and benefits	654	1.7	9,571	5.7
Amortisation of intangible assets	—	—	63,416	37.7
Self-operated channel costs	18,799	48.9	56,885	33.8
Others	<u>19,017</u>	<u>49.4</u>	<u>38,262</u>	<u>22.8</u>
Total	<u>38,470</u>	<u>100.0</u>	<u>168,134</u>	<u>100.0</u>

Others mainly comprised (i) other tax and surcharges; (ii) outsourcing services fee for art/graphic design and audio production of sound effects and background music provided by third party service providers; and (iii) fees for game testing conducted by third-party service providers.

Gross profit and gross profit margin

Our gross profit for the year ended 31 December 2022 amounted to approximately HKD76.6 million, representing a decrease of approximately HKD790.5 million as compared to approximately HKD867.1 million for the year ended 31 December 2021. Our gross profit margin for the year ended 31 December 2022 amounted to approximately 66.6% and approximately 83.8% for the year ended 31 December 2021. The decrease in our gross profit margin was mainly due to the substantial decrease in revenue for the year ended 31 December 2022 of which a higher gross profit margin was contributed by the subsidiaries of the PRC.

Other income

Our other income mainly consisted of interest income on short-term bank deposits, government grants, exchange gains and impairment losses. For the year ended 31 December 2022, our other income was approximately HKD50.9 million, compared with the other income of approximately HKD27.0 million in the same period of 2021.

Research costs

For the year ended 31 December 2022, the Group did not have any research costs as compared to approximately HKD42.8 million for the year ended 31 December 2021. The decrease was mainly because of no projects were under research phases in 2022.

Distribution costs

Our distribution costs for the year ended 31 December 2022 amounted to approximately HKD42.0 million, representing a decrease of approximately HKD43.1 million as compared to approximately HKD85.1 million in the same period of 2021. The decrease was mainly due to the deconsolidation of the subsidiaries in the PRC on 4 December 2021.

Administrative expenses

The Group's administrative expenses primarily comprised salaries and employee benefits expenses, depreciation of right-of-use assets, audit fees, legal and professional fees, depreciation of property, plant and equipment and others.

The Group's administrative expenses for the year ended 31 December 2022 amounted to approximately HKD22.8 million, representing a decrease of approximately 77.0% as compared to approximately HKD99.3 million for the year ended 31 December 2021. The Group's administrative expenses decreased in 2022, which was mainly attributable to the deconsolidation of the subsidiaries in the PRC on 4 December 2021.

Profit/(loss) for the year

As a result of the above, profit attributable to equity owners of the Company in 2022 was approximately HKD30.2 million, whereas the loss in 2021 was approximately HKD1,213.1 million. The increase was mainly due to the loss on deconsolidation of subsidiaries incurred in 2021, but no such loss was incurred in 2022.

LIQUIDITY AND FINANCIAL RESOURCES

In 2022, we mainly financed our business with the existing cash and cash equivalents held by the Group. We intend to fund our expansion and business operations through our internal resources and on-going internal growth.

Treasury policy

During the year ended 31 December 2022, the Group deposited its capital with commercial banks in Hong Kong, Thailand and Singapore and did not engage in any investments with high risks or involving speculative derivative instruments.

Cash and cash equivalents

As at 31 December 2022, our cash and cash equivalents amounted to approximately HKD119.5 million, compared with approximately HKD347.8 million as of 31 December 2021, which primarily consisted of cash at bank and cash on hand mainly denominated in USD (as to approximately 62.8%), THB (as to approximately 28.0%), HKD (as to approximately 7.3%) and other currencies (as to approximately 1.9%).

Capital expenditures

Our capital expenditures comprised expenditures on the purchase of furniture and office equipment and leasehold improvements. For the year ended 31 December 2022, our total capital expenditures amounted to approximately HKD2.1 million, representing the purchase of furniture and office equipment and leasehold improvement (2021: approximately HKD4.6 million, including the purchase of furniture and office equipment). We funded our capital expenditure by using our existing cash and cash equivalents held by the Group.

Capital Commitment

As at 31 December 2022, the Group had capital commitment, which is contracted but not provided for, in relation to the acquisition of Summer Mountain Limited of RMB67,500,000 and investment in a private fund of USD2,500,000.

Save as disclosed above, as at 31 December 2022, the Group had no other significant commitments.

CAPITAL STRUCTURE

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

BORROWING AND GEARING RATIO

As at 31 December 2022, the Group had promissory notes amounted to approximately HKD584.2 million (31 December 2021: approximately HKD618.8 million) which are interest bearing and denominated in Renminbi. Except it, we did not have any short-term or long-term borrowings.

As at 31 December 2022, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 322.0% (31 December 2021: approximately 214.7%).

CHARGE ON GROUP ASSETS

As at 31 December 2022, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (31 December 2021: Nil).

INFORMATION ON EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had 71 employees (31 December 2021: 38), who were mainly based in Thailand, Singapore and Hong Kong. The table below sets forth the number of employees by function as at 31 December 2022 and 2021:

Department	2022		2021	
	<i>Number of employees</i>	<i>% of total</i>	<i>Number of employees</i>	<i>% of total</i>
Management	11	15.5	8	21.1
Project development	17	23.9	4	10.5
Game design	5	7.0	—	—
Programming	7	9.9	—	—
Art	5	7.0	4	10.5
Project Support	34	47.9	22	57.9
Marketing	6	8.5	5	13.2
Licensing and operator support	22	31.0	15	39.5
Information technology	6	8.4	2	5.2
Finance and administration	9	12.7	4	10.5
Total	71	100.0	38	100.0

The total remuneration of the employees of the Company was approximately HKD10.5 million for the year ended 31 December 2022 (2021: approximately HKD53.8 million).

The remuneration committee of the Company will regularly review and recommend to the Board from time to time the remuneration and reward of the Directors and senior management of the Group with reference to their experience, responsibilities, workload and time devoted to the Group and performance of the Group.

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

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

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

There was no other significant investment in or material acquisition and disposal of subsidiaries and associated companies by the Company.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant unrecorded contingent liabilities (31 December 2021: Nil).

FOREIGN EXCHANGE RISKS

The functional currency of the Group is HKD and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD, THB, RMB and SGD. All of the revenue are denominated in currencies other than the functional currency of the operating units making the revenue for the year ended 31 December 2022 and 2021. Therefore, foreign exchange risk primarily arose from the recognition of assets upon the Group's receipt or planned receipt of foreign currencies from overseas partners.

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

USE OF PROCEEDS FROM THE PLACING

The Company's shares were listed on GEM of the Stock Exchange on 18 February 2016 and net proceeds from the placing (the "Placing") were approximately HKD28.9 million. Listing of the Shares has been transferred to the Main Board from GEM on 27 June 2019. As at 31 December 2022, the Group has spent approximately HKD27.8 million, in aggregate, of the proceeds from the Placing (approximately HKD7.2 million on development of new games on mobile devices platform, approximately HKD7.2 million on development of new browser games, approximately HKD2.9 million on the continual optimisation of our existing games on various platforms, approximately HKD2.9 million on enhancing our game development capabilities, approximately HKD3.6 million on the acquisition/investment of game developers and related companies, approximately HKD1.5 million for working capital and other general corporate uses, and approximately HKD2.5 million for seeking opportunities to obtain/acquire the adaptation rights of appropriate source materials).

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

As at 31 December 2022, the Company's use of proceeds from the Placing is set out as follows:

			31 December 2022	31 December 2022	31 December 2022	31 December 2022
	Original allocation <i>HKD million</i>	Original allocation <i>Percentage</i>	Amount used <i>HKD million</i>	Amount used <i>Percentage</i>	Amount unused <i>HKD million</i>	Amount unused <i>Percentage</i>
Continual optimisation of our existing games on various platforms	2.9	10.0%	2.9	10.0%	—	—
Development of new games — Browser games	7.2	25.0%	7.2	25.0%	—	—
Development of new games — Mobile games	7.2	25.0%	7.2	25.0%	—	—
Seeking opportunities to obtain/acquire the adaptation rights of appropriate source materials	3.6	12.5%	2.5	8.7%	1.1	3.8%
Acquiring of/investment in game developers and related companies	3.6	12.5%	3.6	12.5%	—	—
Enhancement and diversification of our game development capabilities	2.9	10.0%	2.9	10.0%	—	—
Working capital and other general corporate purposes	1.5	5.0%	1.5	5.0%	—	—
Total	28.9	100.0%	27.8	96.2%	1.1	3.8%

EARNINGS/(LOSS) PER SHARE

The calculation of earnings per share is based on the profit attributable to owners of the Company of approximately HKD30.2 million (2021: loss of approximately HKD1,213.1 million) and the weighted average number of 3,840,000,000 ordinary shares (2021: 3,840,000,000 ordinary shares) in issue during the year.

The calculation of diluted earnings and loss per share are the same as the calculation of basic earnings and loss per share as there are no dilutive potential ordinary shares in existence during the years ended 31 December 2022 and 2021 respectively.

RISK FACTORS FACED BY THE COMPANY AND RISK MITIGATION MEASURES

The Group is principally engaged in the development and operation of software and games in different language versions and licensing our games to different licensed operators for operation or operating by the Group internationally. The major risks involved in the Group's business include credit risks, interest rate risks, liquidity risks, currency risks and business risks. Details of the above-mentioned major risks and risk mitigation measures are set forth in the consolidated financial statements in the annual report.

The Board believes that there are certain risks involved in the Group's operations, which mainly includes (i) risks relating to our business; (ii) risks relating to our industry; and (iii) risks relating to policies.

(i) Risks relating to our business

Although the Group has successfully established its mobile games, there are certain risks that could adversely affect the Group's operations and financial results due to the immaturity of the mobile game industry. The major hurdles include (i) new policies or any amendment to the current policies in relation to the mobile game industry, (ii) reliance on distribution channel providers, marketing and promotion (iii) the game portfolio included games that are self-developed or licensed games, so the Group's operations may be adversely affected if the Group cannot seek alternatives in a timely manner; and (iv) the Group may be exposed to payment delays or defaults from settlement agents, which would adversely affect the Group's cash flow or financial results.

(ii) Risks relating to our industry

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

(iii) Risks relating to policies

The operation of online games of the Group is subject to supervision and management by a number of government authorities in the market where the Group operates. Any administrative changes in government regulatory authorities may also affect market conditions, which in turn may affect the Group's operation results.

RISK MANAGEMENT

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

ENVIRONMENT POLICY AND PERFORMANCE

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

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

RELATIONSHIP WITH STAKEHOLDERS

The Company values stakeholders' concerns and opinions on our business performance and progress, and strive to maintain effective communication with our stakeholders, including the Company's Shareholders, employees, customers, suppliers, business partners, users, media and the public through a range of communication channels, such as the Company's official website and emails to maintain a close and harmonious relationship with them.

FINAL DIVIDENDS

Dividend Policy

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

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

Dividends

The Board does not recommend the payment of any final dividend for the year ended 31 December 2022 and 2021.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the shareholders of the Company will be held on a date to be fixed by the Board. Notice of annual general meeting will be published and despatched to the shareholders of the Company in due course.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving a high standard of corporate governance, to protect interests, improve corporate value and accountability.

The Group has adopted the code provisions as set out in the corporate governance code contained in Appendix 14 to the Listing Rules.

Save as disclosed below, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2022.

The Company failed to comply with the following financial reporting provisions under the Listing Rules in due course: (i) announce the interim results for the six months ended 30 June 2022; (ii) issue the interim report for the six months ended 30 June 2022; (iii) announce the annual results for the year ended 31 December 2022; and (iv) issue the annual report for the year ended 31 December 2022. Such delays constituted the violation of Rule 13.46(2)(a), Rule 13.49(1), Rule 13.48(1) and Rules 13.49(6) of the Listing Rules.

As disclosed in the Company's announcements dated 23 February 2022, 18 March 2022, 1 April 2022, 20 May 2022, 30 June 2022, 8 July 2022, 29 August 2022, 7 September 2022, 30 September 2022, 11 November 2022, 11 December 2022, 3 January 2023, 30 March 2023, 31 March 2023, 12 April 2023, 13 April 2023, 17 April 2023, 25 April 2023, 7 May 2023, 30 May 2023, 5 June 2023, 16 June 2023 and 20 June 2023, amongst others, the Company required more time to complete the procedures of financial reporting and auditing due to the matter and the relevant limitations as mentioned in the Company's announcement dated 18 March 2022, 29 August 2022 and 11 November 2022.

The Company failed to hold the annual general meeting for the year ended 31 December 2022 within the time prescribed by the Listing Rules and the Articles of Associations.

Due to the unavailability of the financial results as aforementioned, the audit committee only met once during the year ended 31 December 2022, which resulted in the breach of Code Provision D.3.3(e)(i) under Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirms that the Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2022.

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

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

AUDIT COMMITTEE

We established the Audit Committee on 24 January 2016. The chairman of the Audit Committee is Mr. Tam Chik Ngai Ambrose, our independent non-executive Director, and other members include our independent non-executive Directors. The written terms of reference of the Audit Committee are published on the Main Board website and the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group's audited annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee. The Audit Committee is of the view that the preparation of the Group's audited financial statements for the year ended 31 December 2022 complied with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2022 as set out in this annual results announcement have been agreed by the Group's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on the annual results announcement.

PUBLICATION OF ANNUAL RESULTS AND DESPATCH OF ANNUAL REPORT

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk, in the case of this announcement, on the "Latest Company Announcements" page for at least seven days from the day of its posting. This announcement will also be published on the Company's website at www.firerock.hk. The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to the shareholders and published on the above websites in due course.

CONTINUED SUSPENSION OF TRADING

As disclosed in the announcement on quarterly update on resumption dated 30 June 2023, the Company and its professional advisers are in the progress of devising a resumption plan with actions that it intends to take to remedy the issues causing its trading suspension and to fulfill the Resumption Guidance.

Trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 1 April 2022 and will remain suspended until further notice.

By order of the Board
Fire Rock Holdings Limited
Chen Di
Executive Director

Hong Kong, Thursday, 27 July 2023

As at the date of this announcement, the executive Directors are Mr. Zhou Zhiwei, Mr. Gao Bo, Mr. Chen Di and Ms. Wong Yan; and the independent non-executive Directors are Ms. Chow Woon San Shirley, Mr. Tam Chik Ngai Ambrose and Mr. Lok Tze Bong.