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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 2020

HIGHLIGHTS

- For the year ended 31 December 2020, the Group's revenue amounted to approximately RMB520.9 million (2019: approximately RMB304.0 million), representing an increase of approximately 71.3%.
- For the year ended 31 December 2020, the Group's gross profit amounted to approximately RMB480.0 million (2019: approximately RMB284.2 million), representing an increase of approximately 68.9%.
- For the year ended 31 December 2020, the Group's profit for the year amounted to approximately RMB344.9 million (2019: approximately RMB208.8 million), representing an increase of approximately 65.2%.
- Our Board recommended the payment of a final dividend for the year ended 31 December 2020, in the form of cash dividend of HKD0.05208 per share.

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 2020 together with the comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 <i>RMB</i>	2019 <i>RMB</i>
Revenue	4	520,890,363	303,978,018
Direct costs		<u>(40,894,560)</u>	<u>(19,777,680)</u>
Gross profit		479,995,803	284,200,338
Other income	4	12,175,613	4,881,336
Research costs		(228,791)	(583,792)
Distribution costs		(33,688,389)	(7,209,045)
Administrative expenses		(38,828,863)	(27,285,068)
Finance costs		(396,206)	(362,815)
Operating profit		419,029,167	253,640,954
Share of loss of investment accounted for using equity accounting		<u>—</u>	<u>(176,591)</u>
Profit before income tax	5	419,029,167	253,464,363
Income tax expense	6	(74,116,835)	(44,664,820)
Profit for the year		344,912,332	208,799,543
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
— Exchange differences on translation of foreign operations		(14,769,643)	3,368,540
— Exchange differences reclassified to profit or loss upon disposal of investment accounted for using equity method		<u>—</u>	<u>15,503</u>
Other comprehensive income for the year		(14,769,643)	3,384,043
Total comprehensive income for the year		<u>330,142,689</u>	<u>212,183,586</u>
Profit attributable to:			
Owners of the Company		343,214,304	208,789,246
Non-controlling interests		1,698,028	10,297
		<u>344,912,332</u>	<u>208,799,543</u>
Total comprehensive income attributable to:			
Owners of the Company		328,447,603	212,176,496
Non-controlling interests		1,695,086	7,090
		<u>330,142,689</u>	<u>212,183,586</u>
		<i>RMB cents</i>	<i>RMB cents</i>
			<i>(Restated)</i>
Earnings per share			
Basic and diluted	8	<u>35.75</u>	<u>21.75</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 RMB	2019 RMB
Non-current assets			
Property, plant and equipment		5,707,986	5,636,036
Intangible assets	9	39,843,105	19,381,004
Right-of-use assets		7,452,773	9,492,211
Deposits		432,775	—
		53,436,639	34,509,251
Current assets			
Trade receivables	10	92,913,924	140,513,173
Prepayment, deposits and other receivables		1,633,245	5,663,418
Short-term bank deposits		20,000,000	100,609,632
Cash and cash equivalents		596,147,969	147,891,166
		710,695,138	394,677,389
Current liabilities			
Lease liabilities		2,234,552	2,668,934
Trade and other payables	11	25,957,644	15,906,407
Deferred revenue		134,510	139,559
Dividends payables		1,436,048	—
Tax payables		9,813,288	311,741
		39,576,042	19,026,641
Net current assets		671,119,096	375,650,748
Total assets less current liabilities		724,555,735	410,159,999
Non-current liabilities			
Lease liabilities		5,651,248	7,070,751
Deferred tax liabilities		30,600,000	19,000,000
		36,251,248	26,070,751
Net assets		688,304,487	384,089,248
Equity			
Share capital	12	2,669,060	2,669,060
Reserves		684,212,476	381,692,323
Total equity attributable to owners of the Company		686,881,536	384,361,383
Non-controlling interests		1,422,951	(272,135)
Total equity		688,304,487	384,089,248

NOTES

For the year ended 31 December 2020

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**”).

The Company is an investment holding company. The Group are principally engaged in the development of browser games and mobile games (including design, programming and graphics) and licensing of its games in the PRC and overseas markets as well as self-operating its games in overseas markets. In addition, the Group develops software and licenses its software to business partners.

The consolidated financial statements for the year ended 31 December 2020 were approved and authorised for issue by the Board on 30 March 2021.

2. ADOPTION OF HKFRSs

(a) Adoption of new or revised HKFRSs — effective 1 January 2020

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

The adoption of these new or revised HKFRSs has no impact on these consolidated financial statements. The Group has not early applied any new or amended HKFRSs that is not yet effective for the financial period except for the amendment to HKFRS 16, COVID-19-Related Rent Concessions. Impact on the application is summarised below.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

Rent concession that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. The Group shall apply other requirement of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The amendment is effective for financial periods beginning on or after 1 June 2020. The Group has early applied the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. During the year ended 31 December 2020, the Group recognised COVID-19-related rent concessions of RMB509,368 as other income. As the rent concessions have arisen only during the current financial period, there is no retrospective adjustment to the opening balance of retained profits at 1 January 2020 on initial application of the amendment.

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

The following new or revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 39, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to HKFRS 9 Financial Instruments and Amendment to illustrative examples accompanying HKFRS 16 Leases ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁴

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

The Group has already commenced an assessment of the impact of adopting the above standards and amendments in the period upon application. The Directors expect that the adoption of them is unlikely to have a material impact on the consolidated financial statements of the Group.

3. 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 2020 and 2019, 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 — Software, browser and mobile games development and software licensing services for earning license fees and royalties (the “**License fees and Royalties**”) from the licensed operators (the “**Licensed Operators**”) and business partners
- Game operation — Mobile game operation for earning game operation income

	2020 <i>RMB</i>	2019 <i>RMB</i>
Revenue from contracts with customers:		
Game and software development	455,620,890	290,894,940
Game operation	<u>65,269,473</u>	<u>13,083,078</u>
	<u>520,890,363</u>	<u>303,978,018</u>

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 2020 and 2019 are set out below.

	For the year ended 31 December 2020		
	Game and software development <i>RMB</i>	Game operation <i>RMB</i>	Total <i>RMB</i>
Revenue from external customers	456,170,890	65,269,473	521,440,363
Inter-segment revenue	(550,000)	—	(550,000)
Reportable segment revenue	<u>455,620,890</u>	<u>65,269,473</u>	<u>520,890,363</u>
Reportable segment profit	416,593,938	8,565,513	425,159,451
Interest income	5,873,850	7,606	5,881,456
Government grants	2,071,800	—	2,071,800
Finance costs	389,581	6,625	396,206
Depreciation and amortisation	11,072,574	192,010	11,264,584
Write-off of intangible assets	2,589,356	—	2,589,356
Income tax expense	72,824,621	1,292,214	74,116,835
Reportable segment assets	682,440,777	14,294,414	696,735,191
Reportable segment liabilities	62,886,781	8,585,606	71,472,387
Additions to non-current assets	<u>32,036,461</u>	<u>961,889</u>	<u>32,998,350</u>
	For the year ended 31 December 2019		
	Game and software development <i>RMB</i>	Game operation <i>RMB</i>	Total <i>RMB</i>
Revenue from external customers	291,094,940	13,083,078	304,178,018
Inter-segment revenue	(200,000)	—	(200,000)
Reportable segment revenue	<u>290,894,940</u>	<u>13,083,078</u>	<u>303,978,018</u>
Reportable segment profit	260,786,731	703,742	261,490,473
Interest income	1,555,538	6,972	1,562,510
Government grants	1,705,200	—	1,705,200
Finance costs	333,285	29,530	362,815
Depreciation and amortisation	8,134,336	185,198	8,319,534
Income tax expense	44,664,820	—	44,664,820
Reportable segment assets	418,799,036	6,979,677	425,778,713
Reportable segment liabilities	41,629,852	2,457,184	44,087,036
Additions to non-current assets	<u>30,912,532</u>	<u>86,833</u>	<u>30,999,365</u>

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

	2020 RMB	2019 RMB
<i>Profit before income tax</i>		
Reportable segment profit	425,159,451	261,490,473
Interest income	501,154	216,765
Unallocated corporate expenses	(6,631,438)	(8,242,875)
Consolidated profit before income tax	<u>419,029,167</u>	<u>253,464,363</u>
<i>Assets</i>		
Reportable segment assets	696,735,191	425,778,713
Unallocated corporate assets	67,396,586	3,407,927
Consolidated total assets	<u>764,131,777</u>	<u>429,186,640</u>
<i>Liabilities</i>		
Reportable segment liabilities	71,472,387	44,087,036
Unallocated corporate liabilities	4,354,903	1,010,356
Consolidated total liabilities	<u>75,827,290</u>	<u>45,097,392</u>

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

The Company is an investment holding company incorporated in the Cayman Islands and the principal place of the Group's operation is the PRC. Accordingly, management determines that the Group is domiciled in the PRC.

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

	2020 RMB	2019 RMB
Primary geographical markets*		
The PRC (place of domicile)	454,693,900	289,846,405
Asia Pacific	65,422,499	13,489,854
Europe	773,964	620,065
North America	—	21,694
	<u>520,890,363</u>	<u>303,978,018</u>

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

	2020 <i>RMB</i>	2019 <i>RMB</i>
Timing of revenue recognition		
Over time	22,552,830	4,357,805
At a point in time	<u>498,337,533</u>	<u>299,620,213</u>
	<u><u>520,890,363</u></u>	<u><u>303,978,018</u></u>

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

	2020 <i>RMB</i>	2019 <i>RMB</i>
Non-current assets		
The PRC	52,170,656	33,639,734
Thailand	1,075,853	258,956
Hong Kong	<u>190,130</u>	<u>610,561</u>
	<u><u>53,436,639</u></u>	<u><u>34,509,251</u></u>

(c) Information about major Licensed Operators

Revenue earned from major Licensed Operators, each of them accounted for 10% or more of the Group's revenue, are set out below:

	2020 <i>RMB</i>	2019 <i>RMB</i>
Licensed Operator A	363,957,724	219,000,319
Licensed Operator B	<u>82,245,246</u>	<u>49,756,142</u>
	<u><u>446,202,970</u></u>	<u><u>268,756,461</u></u>

4. REVENUE AND OTHER INCOME

	2020 <i>RMB</i>	2019 <i>RMB</i>
Revenue		
License fees and Royalties	433,068,060	287,353,431
Game operation income	65,269,473	13,083,078
Software licensing service	22,552,830	3,541,509
	<u>520,890,363</u>	<u>303,978,018</u>
Other income		
Government grants (<i>Note</i>)	2,071,800	1,705,200
Interest income	6,382,610	1,779,275
COVID-19-related rent concessions received	509,368	—
Gain on disposal of investment accounted for using equity method	—	792,047
Others	3,211,835	604,814
	<u>12,175,613</u>	<u>4,881,336</u>

Note:

During the year ended 31 December 2020, the Group received grants from the PRC government for awarding the contribution to economic growth and technology development amounting to RMB1,769,800 (2019: RMB700,000) and RMB302,000 (2019: RMB454,700) respectively. During the year ended 31 December 2019, the Group also received grants from the PRC government for subsidising the operating lease rentals of office premises and copyright registration of self-developed games amounting RMB508,000 and RMB42,500 respectively. There are no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2020 <i>RMB</i>	2019 <i>RMB</i>
Auditors' remuneration	675,442	643,065
Amortisation of intangible assets*	6,702,811	4,879,006
Write-off of intangible assets	2,589,356	—
Depreciation of property, plant and equipment**	2,250,250	847,992
Depreciation of right-of-use assets**	2,311,523	2,592,536
Termination of a lease	127,025	—
Loss on disposal of property, plant and equipment	61,823	—
Short-term leases expenses	258,021	160,866
Legal and professional fees	6,096,564	6,784,511
Exchange loss, net	4,262,372	540,939

* 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

6. INCOME TAX EXPENSE

	2020 <i>RMB</i>	2019 <i>RMB</i>
Current year — PRC Enterprise Income Tax (“EIT”)		
— Tax for the year	42,356,539	25,946,920
— Over-provision in respect of prior years	(131,918)	(282,100)
— Withholding tax on dividends	19,000,000	8,900,000
Current year — Thailand Corporate Income Tax (“CIT”)		
— Tax for the year	1,292,214	—
Deferred tax	62,516,835	34,564,820
	11,600,000	10,100,000
	74,116,835	44,664,820

7. DIVIDENDS

On 17 April 2020, the Company declared a final dividend for 2019, in form of HKD30.0 million (equivalent to approximately RMB26.4 million) in cash (or HKD0.09375 (equivalent to approximately RMB0.0825) per share).

Subsequent to the end of the reporting period, a final dividend, in the form of a cash dividend of HKD0.05208 per share (equivalent to approximately RMB0.0438 per share) in respect of the year ended 31 December 2020 has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting. The proposed final dividends have not been recognised as a liability in the Group's consolidated financial statements. Reference is made to the announcement of the Company dated 30 March 2021 in relation to, among other things, the proposed subdivision of each of the existing issued and unissued shares of one third Hong Kong cent each in the share capital of the Company into four (4) subdivided shares of par value of one twelfth Hong Kong cent each. If the share subdivision becomes effective prior to the payment of the final dividend, the final dividend will be a cash dividend of HKD0.01302 (equivalent to approximately to RMB0.01095) per subdivided shares.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB343,214,304 (2019: RMB208,789,246) and the weighted average number of 960,000,000 ordinary shares (2019: 960,000,000) in issue during the year. The weighted average number of ordinary share used in the calculation of earnings per share for the years ended 31 December 2020 and 2019 has been adjusted to reflect the share subdivision which has been completed on 19 August 2020.

Diluted earnings per share are same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2020 and 2019.

9. INTANGIBLE ASSETS

	Game and software intellectual properties <i>RMB</i>	Development costs <i>RMB</i>	Total <i>RMB</i>
Cost			
At 1 January 2019	24,275,968	4,382,444	28,658,412
Additions	—	16,657,848	16,657,848
Transfer	10,046,493	(10,046,493)	—
At 31 December 2019 and 1 January 2020	34,322,461	10,993,799	45,316,260
Additions	—	29,754,268	29,754,268
Transfer	10,622,862	(10,622,862)	—
Write-off	—	(2,589,356)	(2,589,356)
At 31 December 2020	44,945,323	27,535,849	72,481,172
Accumulated amortisation and impairment			
At 1 January 2019	21,056,250	—	21,056,250
Charge for the year	4,879,006	—	4,879,006
At 31 December 2019 and 1 January 2020	25,935,256	—	25,935,256
Charge for the year	6,702,811	—	6,702,811
At 31 December 2020	32,638,067	—	32,638,067
Net carrying value			
At 31 December 2020	12,307,256	27,535,849	39,843,105
At 31 December 2019	8,387,205	10,993,799	19,381,004

10. TRADE RECEIVABLES

The Group normally allows 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:

	2020 <i>RMB</i>	2019 <i>RMB</i>
0–30 days	46,806,633	43,732,675
31–60 days	22,085,071	35,176,491
61–90 days	3,079,444	35,382,527
91–120 days	215,281	25,567,860
more than 120 days	20,727,495	653,620
	<u>92,913,924</u>	<u>140,513,173</u>

11. TRADE AND OTHER PAYABLES

	2020 <i>RMB</i>	2019 <i>RMB</i>
Trade payables	333,060	114,156
Other payables	10,391,317	6,113,901
Accruals	15,233,267	9,678,350
	<u>25,957,644</u>	<u>15,906,407</u>

An ageing analysis of the Group's trade payables, based on invoice date, as of the end of reporting period is as follows:

	2020 <i>RMB</i>	2019 <i>RMB</i>
Less than 30 days	<u>333,060</u>	<u>114,156</u>

12. SHARE CAPITAL

	Number of ordinary shares	Amount <i>HKD</i>	Amount <i>RMB</i>
Authorised:			
At 1 January 2019	500,000,000	5,000,000	4,199,383
Increase	<u>1,500,000,000</u>	<u>15,000,000</u>	<u>13,398,450</u>
At 31 December 2019 and 1 January 2020	2,000,000,000	20,000,000	17,597,833
Share subdivision (<i>Note</i>)	<u>4,000,000,000</u>	<u>—</u>	<u>—</u>
At 31 December 2020	6,000,000,000	20,000,000	17,597,833
Issued and fully paid:			
At 1 January 2019, 31 December 2019 and 1 January 2020	320,000,000	3,200,000	2,669,060
Share subdivision (<i>Note</i>)	<u>640,000,000</u>	<u>—</u>	<u>—</u>
At 31 December 2020	960,000,000	3,200,000	2,669,060

Note:

On 19 August 2020, each of the authorised and issued ordinary share of HKD0.01 each was subdivided into three subdivided ordinary shares of HKD0.0033 each. The share subdivision was approved by the shareholders of the Company and became effective on 19 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Overview

Our Group is a game developer principally engaged in the development of software, browser and mobile games. Since last year, the Group has commenced self-operation by introducing its self-developed game products in overseas markets, seeking to transform gradually into a business model of “game developer + game publisher” and enhance our comprehensive profitability. During the year, the Group continued to focus on the R&D of browser and mobile games to cope with the ever-intensifying competition of the industry. For browser games, we made greater effort in the research of H5 technology by leveraging on our strengths in R&D to develop premium browser game products. As for mobile games, we made greater investments in the continual optimisation and update of existing games as well as the initiation of various mobile game series, which captured the development opportunity arising from the ongoing rapid growth of the mobile game industry and achieved satisfactory results. Meanwhile, we continued to expand our game operation business overseas and launched several self-operated games, generating growing revenue from overseas markets. In addition, the R&D of the intellectual property rights in relation to computer software forms part of the Company’s strategic development. We have developed computer software related to game operations and provided licensing services with respect to intellectual property rights to enterprises, thereby diversifying the revenue of the Group, while forging a closer relationship with our licensed operators.

In terms of financial performance, our revenue increased by 71.3% from approximately RMB304.0 million for 2019 to approximately RMB520.9 million for 2020, of which the revenue of mobile games amounted to approximately RMB497.2 million, representing an increase of approximately 67.0% as compared to the same period in 2019, accounting for 95.5% of our total revenue. Profit increased by 65.2% from approximately RMB208.8 million for 2019 to approximately RMB344.9 million for 2020.

In terms of game products, in 2020, the Group commercially launched three mobile game series in succession, including the Super Bouncy (超級彈彈彈) series, the Jungle Treasure (叢林秘寶) series and the Bull Hunter (獵牛達人) series. The mobile version of the Age of Star Wars (星戰紀) series (operation suspended in July 2019) was also licensed to operators again. We also licensed two computer software, namely, the Fight the Landlord Game AI System (鬥地主遊戲AI系統) and the Good Friend Game Backstage Operation Management System (佳朋鬯遊戲後台運營管理系統) to enterprises such as business partners, which further expanded our product portfolio and diversified our revenue sources.

As at 31 December 2020, the Group has licensed 19 self-developed games series in aggregate, including the mobile and browser versions of Kings & Legends (王者召喚) series, the mobile and browser versions of Hero's Crown (英雄皇冠) series, the browser version of Heroines of Three Kingdoms (姬戰三國) series, the mobile version of Endless Battles (無盡爭霸) series, the mobile version of Legend of Fairies (萌仙記) series, the mobile version of Road of Vengeance (復仇之路) series, the mobile version of Number Drop series, the mobile version of G-game series, the mobile version of Sweeties Fighting (零食大亂鬥) series, the mobile version of War of the Sulfulons (薩弗隆戰記) series, the mobile version of Super Tycoon (超級大亨) series, the mobile version of Forest Gala (森林大聯歡) series, the mobile version of Fish Catching Contest (捕魚大亂鬥) series, the mobile version of the Super Cute Monster (超級逗萌獸) series, the mobile version of the Super Rich (超級大富翁) series, the mobile version of the Age of Star Wars (星戰紀) series, the mobile version of the Shaky Battle (晃晃大作戰) series, the mobile version of the Super Diglett Fighting (超級地鼠大亂鬥) series and the mobile version of the Super Bouncy (超級彈彈彈) series to various game operators for the operation, publication and distribution of such games within specified periods in designated territories. Four mobile games series, namely the Royal Tycoon (皇家大亨) series, the Royal Fish Catching (皇家捕魚) series, the Jungle Treasure (叢林秘寶) series and the Bull Hunter (獵牛達人) were self-operated by the Group's overseas subsidiary. In addition, we have developed four computer software, namely the Fire Element Mobile Software General Framework (火元素移動軟件通用框架), Fire Element Integrated Work Station System (火元素集成工作台系統), Fight the Landlord Game AI System (鬥地主遊戲AI系統) and Good Friend Game Backstage Operation Management System (佳朋鬩遊戲後台運營管理系統), and authorised the use of such software to enterprises such as business partners.

In 2020, due to the declining trend of the browser games industry, the revenue of our browser games amounted to approximately RMB1.1 million, representing a significant drop compared to 2019 or 0.2% of the Group's total revenue. In view of the market demand for browser games on mobile devices, we initiated the R&D on H5 games. As H5 games can be operated on multiple platforms with extensive user coverage, the Group considers that there is still potential for further growth and development of the market for browser games. The Group will develop browser games products of higher quality using H5 technology in order to maintain its core competitiveness in the R&D of browser games.

Comparison of Business Objectives with Actual Business Progress

The following is a comparison between the Group's business objectives as set out in the Prospectus and actual business progress as at 31 December 2020:

Business objectives	Actual business progress for the reporting year ended 31 December 2020
Continual optimisation of our existing games on various platforms	Approximately HKD2.9 million invested
Development of new games — Browser games	Approximately HKD7.2 million invested
Development of new games — Mobile games	Approximately HKD7.2 million invested
Acquiring of/investment in game developers and related companies	Approximately HKD3.6 million invested
Enhancement and diversification of our game development capabilities	Approximately HKD2.5 million invested
Working capital and other general corporate purposes	Approximately HKD1.5 million invested
Seeking opportunities to obtain/acquire the adaptation rights of appropriate source materials	Approximately HKD2.5 million invested

Industry Review

In 2020, although the global game industry remained highly competitive, the entire industry still achieved steady growth compared to the same period last year, with the exceptionally outstanding performance of the PRC market. According to the “2020 Report on the Game Industry of China” (《二零二零年中國遊戲產業報告》) published by Gamma Data (伽馬數據), the total revenue for the game industry in China amounted to approximately RMB278.687 billion in 2020, representing an increase of 20.71% over the corresponding period last year, of which the revenue of mobile games reached RMB209.676 billion. The actual sales revenue for China's self-developed online games in overseas market amounted to approximately USD15.45 billion, representing year-on-year growth of 33.25%, with prominent performance in the mobile games market. Hence, the overseas mobile games market will become the main arena for competition in the future.

In 2020, the revenue of mobile games in China accounted for 75.24% of the total revenue in the Chinese gaming industry, representing an increase of 32.61% over the corresponding period last year, while the revenue of browser games amounted to only 2.73% of the total revenue, representing a decrease of 22.90% over the corresponding period last year. The development of the industry was in line with the development strategies identified and established by the Group. During the year, the Group adopted a development strategy that committed substantial resources in the R&D of mobile games,

while for browser games we were primarily engaged in ongoing optimisation and improvements in quality and users' experience in respect of existing products. We initiated the R&D on H5 games in view of the market demand for browser games on mobile devices, which enabled us to maintain steady growth amid the increasingly competitive game market.

OUR PRODUCTS

In 2020, we upheld our R&D competence and advantage and effectively capitalised on opportunities associated with the rapid growth of mobile games around the world. Investment in the R&D of games was enhanced, as we developed seven premium mobile games and two browser games with innovative plays, while consistently introducing improvements and updates to existing games. On the back of our powerful technologies in stock and capabilities in R&D innovation, we expanded our portfolio of games with the commercial launch of three mobile game series during the year. In the meantime, we have also developed two computer software products in a further diversification of our revenue sources.

As at 31 December 2020, the Group has commercially launched 23 major games series in aggregate, including the mobile and browser versions of the Kings & Legends (王者召喚) series, the mobile and browser versions of the Hero's Crown (英雄皇冠) series, the browser version of the Heroines of Three Kingdoms (姬戰三國) series, the mobile version of the Endless Battles (無盡爭霸) series, the mobile version of the Legend of Fairies (萌仙記) series, the mobile version of the Road of Vengeance (復仇之路) series, the mobile version of the Number Drop series, the mobile version of the G-game series, the mobile version of the Sweeties Fighting (零食大亂鬥) series, the mobile version of War of the Sulfulons (薩弗隆戰記) series, the mobile version of the Super Tycoon (超級大亨) series, the mobile version of the Forest Gala (森林大聯歡) series, the mobile version of the Fish Catching Contest (捕魚大亂鬥) series, the mobile version of the Super Cute Monster (超級逗萌獸) series, the mobile version of the Super Rich (超級大富翁) series, the mobile version of the Age of Star Wars (星戰紀) series, the mobile version of the Shaky Battle (晃晃大作戰) series, the mobile version of the Super Diglett Fighting (超級地鼠大亂鬥) series, the mobile version of the Royal Tycoon (皇家大亨) series, the mobile version of the Royal Fish Catching (皇家捕魚) series, the mobile version of the Super Bouncy (超級彈彈彈) series, the mobile version of the Jungle Treasure (叢林秘寶) series and the mobile version of the Bull Hunter (獵牛達人) series. In addition, we have developed four computer software, namely the Fire Element Mobile Software General Framework (火元素移動軟件通用框架), Fire Element Integrated Work Station System (火元素集成工作台系統), Fight the Landlord Game AI System (鬥地主遊戲AI系統) and Good Friend Game Backstage Operation Management System (佳朋鬻遊戲後台運營管理系統), and authorised the use of such software to enterprises such as business partners.

Among the aforesaid game series with successful commercial launch, the Kings & Legends (王者召喚) series, a fantasy tactics card game in Japanese style representing our first independently developed game, has been in the market for over 8 years since its commercial launch in March 2012. Its longer-than-average life cycle has been primarily attributable to our incessant effort in upgrading and optimising the game contents to appeal to players, increase their participation and enhance their game experience, which have also resulted in stable income for us. For the year ended 31 December 2020, revenue generated from the Kings & Legends (王者召喚) series accounted for approximately 0.2% of our total revenue for the year. The mobile version of the Sweeties Fighting (零食大亂鬥) series, a cartoon-style tower defense game commercially launched in May 2017, reported revenue of approximately RMB105.0 million for the year ended 31 December 2020, accounting for approximately 20.2% of our total revenue for the year. The mobile version of the Fish Catching Contest (捕魚大亂鬥) series, a fantasy hunting game commercially launched in December 2017, reported revenue of approximately RMB235.8 million for the year ended 31 December 2020, accounting for approximately 45.3% of our total revenue for the year. The success of the aforementioned game series has highlighted our emphasis on meticulous attention to details in product development and our R&D capabilities in delivering premium games, and has also bolstered our confidence in sustaining our operations through ongoing optimisation and upgrades of our premium games. Such success has also reflected the breakthrough and a greater market share in the increasingly competitive market for mobile games thanks to our astute perception of and swift response to market developments, proactive approach to understand current trends and formulate lucid development strategies, and effort to seize opportunities in market developments on the back of our inherent strengths by committing significant resources to the R&D of mobile games.

In terms of financial performance, the Group's revenue for the year ended 31 December 2020 amounted to approximately RMB520.9 million, increasing by approximately RMB216.9 million compared to approximately RMB304.0 million for the year ended 31 December 2019. Among which, revenue generated from browser games and mobile games amounted to approximately RMB1.1 million and approximately RMB497.2 million, respectively, decreasing by approximately RMB1.5 million and increasing by approximately RMB199.4 million, respectively, as compared to approximately RMB2.6 million and approximately RMB297.8 million, respectively, for the same period of 2019. Revenue generated from mobile games accounted for 95.5% of the Group's revenue. Revenue from the license of intellectual property rights amounted to approximately RMB22.6 million, increasing by approximately RMB19.0 million compared to approximately RMB3.6 million for the same period of 2019. Profit attributable to owners of the Company amounted to approximately RMB343.2 million for the year ended 31 December 2020, increasing by RMB134.4 million from approximately RMB208.8 million for the year ended 31 December 2019.

In terms of game products, the Group commercially launched three mobile game series in succession, including the Super Bouncy (超級彈彈彈) series, the Jungle Treasure (叢林秘寶) series and the Bull Hunter (獵牛達人) series, and re-licensed the mobile version of the Age of Star Wars (星戰紀) series (operation suspended in July 2019) to operators, which further expanded our game portfolio. We also licensed two computer software, namely, the Fight the Landlord Game AI System (鬥地主遊戲AI系統) and the Good Friend Game Backstage Operation Management System (佳朋鬯遊戲後台運營管理系統) to business partners. In addition, due to the business realignment of game operators, the licensed operators underwent negotiation with us and discontinued the operation of the mobile versions of the Hero's Crown (英雄皇冠) series, the Super Bouncy (超級彈彈彈) series, the Shaky Battle (晃晃大作戰) series and the Super Tycoon (超級大亨) series from on the platform of licensed operators in January, March, May and July 2020, respectively.

As at 31 December 2020, there were 11 game series in self-operation or under licenses to game operators for operation, launch and distribution (namely, in operation) within an agreed period in designated territories.

For the year ended 31 December 2020, revenue generated by our five leading game series in monetary amounts and as a percentage of total revenue are set out as follows: the mobile version of the Fish Catching Contest (捕魚大亂鬥) series commercially launched in December 2017 reported revenue of approximately RMB235.8 million for the year ended 31 December 2020, accounting for approximately 45.3% of our total revenue; the mobile version of the Sweeties Fighting (零食大亂鬥) series commercially launched in May 2017 reported revenue of approximately RMB105.0 million for the year ended 31 December 2020, accounting for approximately 20.2% of our total revenue; the mobile version of the Royal Tycoon (皇家大亨) series self-operated through commercial launch in July 2019 reported revenue of approximately RMB61.1 million for the year ended 31 December 2020, accounting for approximately 11.7% of our total revenue; the enhanced and upgraded mobile version of the Age of Star Wars (星戰紀) series commercially launched in March 2020 reported revenue of approximately RMB43.3 million for the year ended 31 December 2020, accounting for approximately 8.3% of our total revenue; and the mobile version of the Super Diglett Fighting (超級地鼠大亂鬥) series commercially launched in July 2019 the reported revenue of approximately RMB38.5 million for the year ended 31 December 2020, accounting for approximately 7.4% of our total revenue.

The table below sets forth the 11 main series of games which are commercially launched by our licensed operators or self-operated and are still in operation as at 31 December 2020:

Language version	Game title	Platform	Initial commercial launch date
<i>Kings & Legends (王者召喚) series of games</i>			
English	Ancient Summoner/Rise of Mythos (Name changed in June 2014)	Browser	May 2013
	Kings and Legends	Browser	December 2012
German	Kings and Legends	Browser	July 2013
French	Kings and Legends	Browser	December 2013
<i>Sweeties Fighting (零食大亂鬥) series of games</i>			
Simplified Chinese	零食大乱斗	Mobile	May 2017/ June 2019*
<i>Forest Gala (森林大聯歡) series of games</i>			
Simplified Chinese	森林大联欢	Mobile	July 2017
<i>Fish Catching Contest (捕魚大亂鬥) series of games</i>			
Simplified Chinese	捕鱼大乱斗	Mobile	December 2017
<i>Super Cute Monster (超級逗萌獸) series of games</i>			
Simplified Chinese	超级逗萌兽	Mobile	December 2017
<i>Super Diglett Fighting (超級地鼠大亂鬥) series of games</i>			
Simplified Chinese	超级地鼠大乱斗	Mobile	July 2019
<i>Royal Tycoon (皇家大亨) series of games</i>			
Thai	รอยัล คาสีโน	Mobile	July 2019
<i>Royal Fish Catching (皇家捕魚) series of games</i>			
Thai	เกมยิงปลาหารรษา	Mobile	July 2019
<i>Jungle Treasure (叢林秘寶) series of games</i>			
Thai	ล่าสมบัติแห่งพงไพร	Mobile	May 2020
<i>Age of Star Wars (星戰紀) series of games</i>			
Simplified Chinese	星战纪	Mobile	June 2018/ March 2020*
<i>Bull Hunter (獵牛達人) series of games</i>			
Thai	นักล่ากระทิง	Mobile	December 2020

* It represents date of launch of enhanced and upgraded version of game series.

As at 31 December 2020, we also had nine game series under R&D, including the Fighting Cells (戰鬥細胞) series (tentative name), the Witty Pinball (智力彈球) series (tentative name), the Demon Conqueror of the East Sea (東海降魔) series (tentative name), the Fish Catching Contest — Treasure of the Dragons (捕魚大亂鬥之龍族秘寶) series (tentative name), the Feng Ling Dominion — Overlord of the Martial Arts World (風凌天下之武林盟主) series (tentative name), XY3 series (tentative name), TD series (tentative name), South American Chamber (南美大廳) series (tentative name) and Indonesian Chamber (印尼大廳) series (tentative name).

Game/software title	Genre	Expected/(actual) launch date	Start of game inception and evaluation
Fighting Cells (戰鬥細胞) series (tentative name)	H5	Second quarter of 2021	Second quarter of 2019
Witty Pinball (智力彈球) series (tentative name)	H5	Third quarter of 2021	Third quarter of 2019
Demon Conquer of the East Sea (東海降魔) series (tentative name)	Single-player leisure	Third quarter of 2021	First quarter of 2020
Fish Catching Contest — Treasure of the Dragons (捕魚大亂鬥之龍族秘寶) series (tentative name)	Single-player leisure	Second quarter of 2021	Second quarter of 2020
Feng Ling Dominion — Overlord of the Martial Arts World (風凌天下之武林盟主) series (tentative name)	MMORPG	Second quarter of 2021	Third quarter of 2020
XY3 series (tentative name)	Card game	Fourth quarter of 2021	Fourth quarter of 2020
TD series (tentative name)	Single-player leisure	Third quarter of 2021	Fourth quarter of 2020
South American Chamber (南美大廳) series (tentative name)	Leisure	Second quarter of 2021	Fourth quarter of 2020
Indonesian Chamber (印尼大廳) series (tentative name)	Leisure	Second quarter of 2021	Fourth quarter of 2020

Prospects for 2021

For our primary business, the Group will continue to enhance its strengths in R&D so as to develop premium mobile games with higher quality, longer life-cycle and innovative game types. We will upgrade and optimise existing games, and consistently invest substantial resources in the R&D of mobile games. Moreover, the Group also intends to increase its R&D efforts in the future with thorough exploration of users' game preferences and needs, developing unique styles and contents as well as browser games of higher quality using H5 technology or other new technologies in order to maintain its core competitiveness in the R&D of browser games. In addition, the Group will conduct active research in innovative technologies or new concepts that might have a revolutionary impact on the industry (such as blockchain technology), and will commit resources accordingly to commence R&D in blockchain technology to develop blockchain games with unique plays, while stocking up relevant technologies and talents to develop blockchain applications in the industry ecology, with a view to bolstering the Group's strengths in R&D.

On top of our presence in the Chinese game market, we will actively expand into overseas markets and promote our games to new potential areas and regions, in an ongoing effort to cement our position in major global markets and take our competitiveness to a higher level.

In the future, we will continue to enhance our R&D of intellectual property rights (computer software) to launch novel internet application technologies and products as well as provide premium intellectual property rights (computer software) licensing services to our business partners (including licensed operators), with a view to fostering closer connections with our business partners. We believe the utilisation of intellectual property rights will form an integral part of the Group's future development.

As disclosed in the announcement of the Company dated 4 February 2021, the Group completed the acquisition of 100% equity interests in Tak Shing International Holdings Limited ("Tak Shing International") on 4 February 2021. The Group will endeavour to integrate and synergise the resources of the acquired business in online marketing expertise, intellectual property rights and existing users. The Group will take advantage of this opportunity to enhance control over the distribution channels and reduce its dependence on licensed game operators, enhancing its comprehensive competitiveness and risk aversion ability by integrating a diverse range of resources in a move to further improve our deployment in the game industry. We can also bolster our cash flow and financial conditions by integrating the full economic benefits of Tak Shing International, thereby enhancing our position in the industry.

Furthermore, the Company will actively explore opportunities for joint venture and acquisition that could generate synergies, in particular joint venture opportunities that can enhance the stability and diversity of our revenue, so as to cope with the increasing competition in the industry and the possible impacts caused by constantly changing industry policies on the principal business of the Company.

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 and provide intellectual property rights licensing services to enterprises. We also self-operate our self-developed game products in overseas markets.

During the year ended 31 December 2020, our revenue mainly originated from our licensed operators/enterprises/game players and was derived from the following revenue types: (i) license fees in accordance with the contractual terms agreed with our licensed operators for granting the exclusive operating rights for specific games and services within an agreed period and designated territories; (ii) royalties which were calculated based on a pre-determined percentage sharing of the net sales of credits of our licensed operators which have been exchanged into our in-game tokens purchased through platforms designated by our licensed operators in accordance with the terms of the licensing agreements; (iii) intellectual property rights service fees which were charged monthly in accordance with the terms of the agreement; and (iv) revenue which was calculated based on the proportion of values converted upon the purchases of in-game virtual items with the values of the game credits (purchased by game players through payment channels) consumed during gameplay.

Our revenue increased by approximately 71.3% from approximately RMB304.0 million for the year ended 31 December 2019 to approximately RMB520.9 million for the year ended 31 December 2020. The increase in revenue was mainly due to the increase in revenue from mobile game series successively launched during previous period, including the Sweeties Fighting (零食大亂鬥) series, the Fish Catching Contest (捕魚大亂鬥) series, the Royal Tycoon (皇家大亨) series, the Age of Star Wars (星戰紀) series and the Super Diglett Fighting (超級地鼠大亂鬥) series and so on.

The following table sets out a breakdown of our revenue for the years ended 31 December 2020 and 2019:

	For the year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Revenue from online games*	498,337	95.7	300,436	98.8
Self-operated	65,269	12.5	13,083	4.3
Licensed operated	433,068	83.2	287,353	94.5
Intellectual property rights licensing	22,553	4.3	3,542	1.2
	520,890	100.0	303,978	100.0

Note:

- * Details of the online game revenue are set forth in sections headed “Online Game Revenue by game platforms and revenue types”, “Online Game Revenue by Game Product Series” and “Online game License fees and royalties by game product series”.

Revenue by geographical markets

The following table sets forth our revenue from our games based on territories, as determined by the primary geographical market of the licensed operators, in absolute amounts and as a percentage of our revenue for the years indicated:

	For the year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
The PRC (place of domicile)	454,694	87.3	289,846	95.4
Asia Pacific	65,422	12.6	13,490	4.4
Europe	774	0.1	620	0.2
North America	—	—	22	(Note)
Total	520,890	100.0	303,978	100.0

Note: The figure for this item is not shown due to rounding difference.

Online Game Revenue by game platforms and revenue types

The table below sets forth the breakdown of revenue by game platforms and revenue types for each of the years ended 31 December 2020 and 2019:

	For the year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Browser version	1,097	0.2	2,644	0.9
Royalties	1,097	0.2	2,644	0.9
Mobile version	497,240	99.8	297,792	99.1
License fees	—	—	816	0.3
Royalties	497,240	99.8	296,976	98.8
	<u>498,337</u>	<u>100.0</u>	<u>300,436</u>	<u>100.0</u>

Online Game Revenue by Game Product Series

The table below sets forth the breakdown of revenue by game series for each of the years ended 31 December 2020 and 2019:

	For the year ended 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Kings & Legends (王者召喚)	1,097	0.2	2,080	0.7
Hero's Crown (英雄皇冠)	(Note)	(Note)	571	0.2
Heroines of the Three Kingdoms (姬戰三國)	—	—	9	(Note)
Road of Vengeance (復仇之路)	—	—	1,358	0.5
Number Drop	—	—	275	0.1
G-game	—	—	1,129	0.4
Sweeties Fighting (零食大亂鬥)	105,009	21.1	93,202	31.0
Super Tycoon (超級大亨)	268	0.1	152	0.1
Forest Gala (森林大聯歡)	1,663	0.3	721	0.2
Fish Catching Contest (捕魚大亂鬥)	235,788	47.3	141,354	47.0
Super Cute Monster (超級逗萌獸)	1,424	0.3	1,979	0.7
Super Rich (超級大富翁)	—	—	369	0.1
Age of Star Wars (星戰紀)	43,293	8.7	3,452	1.1
Shaky Battle (晃晃大作戰)	5,896	1.2	19,004	6.3
Super Diglett Fighting (超級地鼠大亂鬥)	38,471	7.7	21,698	7.2
Royal Tycoon (皇家大亨)	61,081	12.3	11,918	4.0
Royal Fish Catching (皇家捕魚)	3,746	0.7	1,165	0.4
Super Bouncy (超級彈彈彈)	158	(Note)	—	—
Jungle Treasure (叢林秘寶)	396	0.1	—	—
Bull Hunter (獵牛達人)	47	(Note)	—	—
	<u>498,337</u>	<u>100.0</u>	<u>300,436</u>	<u>100.0</u>

Note: The figure for this item is not shown due to rounding difference.

Online game License fees and royalties by game product series

The following table sets forth our license fees and royalties of our games series for each of the years ended 31 December 2020 and 2019.

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Kings & Legends (王者召喚)		
• License fees	—	—
• Royalties	1,097	2,080
Hero's Crown (英雄皇冠)		
• License fees	(Note)	—
• Royalties	(Note)	571
Heroines of the Three Kingdoms (姬戰三國)		
• License fees	—	—
• Royalties	—	9
Road of Vengeance (復仇之路)		
• License fees	—	—
• Royalties	—	1,358
Number Drop		
• License fees	—	57
• Royalties	—	218
G-game		
• License fees	—	58
• Royalties	—	1,071
Sweeties Fighting (零食大亂鬥)		
• License fees	—	83
• Royalties	105,009	93,119
Super Tycoon (超級大亨)		
• License fees	—	123
• Royalties	268	29
Forest Gala (森林大聯歡)		
• License fees	—	76
• Royalties	1,663	645
Fish Catching Contest (捕魚大亂鬥)		
• License fees	—	216
• Royalties	235,788	141,138
Super Cute Monster (超級逗萌獸)		
• License fees	—	—
• Royalties	1,424	1,979

	For the year ended	
	31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Super Rich (超級大富翁)		
• License fees	—	—
• Royalties	—	369
Age of Star Wars (星戰紀)		
• License fees	—	203
• Royalties	43,293	3,249
Shaky Battle (晃晃大作戰)		
• License fees	—	—
• Royalties	5,896	19,004
Super Diglett Fighting (超級地鼠大亂鬥)		
• License fees	—	—
• Royalties	38,471	21,698
Royal Tycoon (皇家大亨)		
• License fees	—	—
• Royalties	61,081	11,918
Royal Fish Catching (皇家捕魚)		
• License fees	—	—
• Royalties	3,746	1,165
Super Bouncy (超級彈彈彈)		
• License fees	—	—
• Royalties	158	—
Jungle Treasure (叢林秘寶)		
• License fees	—	—
• Royalties	396	—
Bull Hunter (獵牛達人)		
• License fees	—	—
• Royalties	47	—
Total	498,337	300,436

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			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Staff costs and benefits	8,972	21.9	9,149	46.3
Amortisation of intangible assets	6,703	16.4	4,879	24.7
Self-operated channel costs	13,062	32.0	3,571	18.0
Others	12,157	29.7	2,179	11.0
Total	40,894	100.0	19,778	100.0

Staff costs and benefits represented salary and wages of staff who are responsible for making continuous enhancements to and maintenance of our commercially launched games. Staff costs and benefits for the year ended 31 December 2020 amounted to approximately RMB9.0 million, which remained relatively stable as compared to approximately RMB9.1 million for the year ended 31 December 2019.

Amortisation of intangible assets represented the amortisation of intellectual properties for the commercially launched software and games. Amortisation of intangible assets for the year ended 31 December 2020 amounted to approximately RMB6.7 million, representing an increase of approximately RMB1.8 million as compared to approximately RMB4.9 million for the year ended 31 December 2019. The increase was mainly attributable to the one-off amortisation of the consolidated costs for Super Bouncy (超級彈彈彈), a new game commercially launched in January this year which was subsequently removed by the game operator with our agreement following the game operator's business adjustments.

Self-operated channel costs represented certain proportion of handling fees charged by cooperation platforms with respect to the four mobile game series launched, namely Royal Fish Catching (皇家捕魚), Royal Tycoon (皇家大亨), Jungle Treasure (叢林秘寶) and Bull Hunter (獵牛達人). Self-operated channel costs for the year ended 31 December 2020 amounted to approximately RMB13.1 million.

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. In general, the increase in other tax and surcharges for the year ended 31 December 2020 was due to the significant increase in revenue.

Gross profit and gross profit margin

Our gross profit for the year ended 31 December 2020 amounted to approximately RMB480.0 million, representing an increase of approximately RMB195.8 million as compared to approximately RMB284.2 million for the year ended 31 December 2019. Our gross profit margin for the year ended 31 December 2020 amounted to approximately 92.2% and approximately 93.5% for the year ended 31 December 2019. The decrease in our gross profit and gross profit margin was mainly due to the substantial increase in tax expenses and other surcharges and game testing fees for the relevant year.

Other income

Our other income mainly consisted of interest income on short-term bank deposits and government grants. For the year ended 31 December 2020, our other income was approximately RMB12.2 million, compared with approximately RMB4.9 million in the same period of 2019. Such increase was mainly attributable to the increase of local government grants received by a PRC subsidiary of the Group and interest income from approximately RMB3.5 million in 2019 to approximately RMB8.5 million and other increase during the year.

Research and development costs

Research and development costs primarily comprised (i) salaries for staff engaged in development and upgrade of game software and other computer software products (“**software products**”); and (ii) fees associated with outsourcing production of non-technical elements (such as art/graphic design and audio production of sound effects and background music) of software products design and development to third party service providers. The Group’s software products development process typically involves several critical stages from software products inception and evaluation, software products development and programming to commercialisation. In the software products inception and evaluation stage, as programming has not yet been commenced and such planning stage could be classified as the research stage in accordance with the applicable accounting standards, costs incurred in software products inception and evaluation stage are expensed and recognised as software products research costs in the consolidated statement of profit or loss and other comprehensive income. In the software products development and programming stage, development and programming work are commenced, including developing the program source code for our software products, graphic design, audio production and character setting. Costs incurred in this stage would be classified as those incurred in the development stage in accordance with the applicable accounting standards and hence recognised as development costs as part of the intangible assets in the consolidated statement of financial position.

The following table sets forth the breakdown of the Group's research and development costs incurred for the years indicated:

	For the year ended	
	31 December	
	2020	2019
	RMB'000	RMB'000
Research costs		
As recognised in consolidated statement of profit or loss and other comprehensive income:		
Super Bouncy (超級彈彈彈)	—	42
Jungle Treasure (叢林秘寶)	—	69
Fighting Cells (戰鬥細胞)	—	84
Witty Pinball (智力彈球)	—	187
Fire Element Mobile Software General Framework (火元素移動軟件通用框架)	—	46
Fire Element Integrated Work Station System (火元素集成工作台系統)	—	26
Fight the Landlord Game AI System (鬥地主遊戲AI系統)	—	36
Nishui Tiangan Game Card Reader System (逆水天罡遊戲記牌器系統)	—	38
Texas Game AI System (德州遊戲AI系統)	—	31
Good Friend Game Backstage Operation Management System (佳朋鸞遊戲後台運營管理系統)	—	25
Demon Conqueror of the East Sea (東海降魔)	18	—
Fish Catching Contest — Treasure of the Dragons (捕魚大亂鬥之龍族秘寶)	130	—
Bull Hunter (獵牛達人)	18	—
Feng Ling Dominion — Overlord of the Martial Arts World (風凌天下之武林盟主)	17	—
TD	16	—
South American Chamber (南美大廳)	5	—
Indonesian Chamber (印尼大廳)	6	—
XY3	19	—
Subtotal	229	584

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Development costs		
As recognised in consolidated statement of financial position:		
Royal Tycoon (皇家大亨)	—	886
Royal Fish Catching (皇家捕魚)	—	1,496
Super Diglett Fighting (超級地鼠大亂鬥)	—	1,201
Sweeties Fighting (零食大亂鬥)2》	—	1,585
Super Bouncy (超級彈彈彈)	—	1,921
Jungle Treasure (叢林秘寶)	754	2,425
Fighting Cells (戰鬥細胞)	3,542	1,756
Witty Pinball (智力彈球)	3,491	1,674
Fire Element Mobile Software General Framework (火元素移動軟件通用框架)	—	266
Fire Element Integrated Work Station System (火元素集成工作台系統)	—	215
Fight the Landlord Game AI System (鬥地主遊戲AI系統)	779	728
Nishui Tiangang Game Card Reader System (逆水天罡遊戲記牌器系統)	422	875
Texas Game AI System (德州遊戲AI系統)	575	718
Good Friend Game Backstage Operation Management System (佳朋鸞遊戲後台運營管理系統)	1,380	912
Sweeties Fighting — Date with the Vampire (零食大亂鬥—我和僵屍有個約會)	1,500	—
Demon Conqueror of the East Sea (東海降魔)	1,986	—
Fish Catching Contest — Treasure of the Dragons (捕魚大亂鬥之龍族秘寶)	8,457	—
Bull Hunter (獵牛達人)	1,726	—
Feng Ling Dominion — Overlord of the Martial Arts World (風凌天下之武林盟主)	1,491	—
TD	480	—
South American Chamber (南美大廳)	1,305	—
Indonesian Chamber (印尼大廳)	1,092	—
XY3	774	—
Subtotal	29,754	16,658
Total research and development costs	29,983	17,242

For the year ended 31 December 2020, the Group's overall research and development costs increased by approximately RMB12.8 million as compared to RMB17.2 million for the year ended 31 December 2019. The increase was mainly attributable to the decrease of approximately RMB0.4 million in research costs, as compared to the year ended 31 December 2019 and the increase of approximately RMB13.1 million in development costs as compared to the year ended 31 December 2019. Research costs decreased by RMB0.4 million as more software projects are added but with a relatively smaller scale and lower complexity. Furthermore, development costs increased as the development stages of mobile game series such as the Bull Hunter (獵牛達人), Fighting Cells (戰鬥細胞), Witty Pinball (智力彈球), Demon Conqueror of the East Sea (東海降魔) and Fish Catching Contest — Treasure of the Dragons (捕魚大亂鬥之龍族秘寶) for the year ended 31 December 2020 were of relatively larger scale and higher complexity, more manpower and resources were deployed for the new series of games, while the salaries and benefits for R&D personnel were also increased by a considerable margin. As at 31 December 2020, the Group had 140 research and development staff (2019: 102).

Distribution costs

Our distribution costs for the year ended 31 December 2020 amounted to approximately RMB33.7 million, representing an increase of approximately RMB26.5 million as compared to approximately RMB7.2 million in the same period of 2019. The increase was mainly due to the increase in the salaries and benefits of promotional personnel and the increase in promotional costs of overseas self-operated games.

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, listing expenses, depreciation of property, plant and equipment and others. The following table sets forth a breakdown of the Group's administrative expenses for the years indicated:

	For the year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Salaries and employee benefits	8,287	21.3	9,631	35.3
Depreciation of right-of-use assets	2,312	6.0	2,593	9.5
Audit, legal and professional fees	6,772	17.4	2,030	7.4
Depreciation of property, plant and equipment	2,250	5.8	848	3.1
Exchange difference	7,265	18.7	541	2.0
Write-off of intangible assets	2,589	6.7	—	—
Listing expenses	—	—	5,398	19.8
Others	9,354	24.1	6,244	22.9
Total	38,829	100.0	27,285	100.0

The Group's administrative expenses for the year ended 31 December 2020 amounted to approximately RMB38.8 million, representing an increase of approximately 42.1% as compared to approximately RMB27.3 million for the year ended 31 December 2019. Excluding the legal and professional fee incurred in relation to the Company's application for the transfer of its listing from GEM to the Main Board during the year ended 31 December 2019 and the legal and professional fee incurred in connection with the acquisition of Tak Shing International for the year ended 31 December 2020, the Group's administrative expenses for the year ended 31 December 2020 amounted to approximately RMB34.3 million, representing an increase of approximately 56.6% as compared to approximately RMB21.9 million for the year ended 31 December 2019. The increase in the Group's administrative expenses was mainly attributable to the increase in salaries, employee benefits of our administrative staff, exchange loss, amortisation of software development cost of terminated R&D and others.

Income tax expense

Our income tax expense for the year ended 31 December 2020 amounted to approximately RMB74.1 million (Year ended 31 December 2019: approximately RMB44.7 million). The increase in our income tax expense was mainly attributable to the substantial increase in profit of the PRC subsidiary of the Group for the year as compared to the same period in 2019 as well as the increase in income tax expense withheld under the provisions of the PRC tax law with respect to the distribution of dividends to foreign investors by the PRC subsidiary of the Group.

Profit for the year

Given the aforesaid reasons, profit attributable to owners of the Company increased by approximately 64.4% from approximately RMB208.8 million for 2019 to approximately RMB343.2 million for 2020.

LIQUIDITY AND FINANCIAL RESOURCES

In 2020, we mainly financed our business with cash generated from our operating activities. 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 2020, the Group deposited its inactive capital with commercial banks in the PRC and Hong Kong as short-term time deposits to allow inactive capital of the Group to generate certain returns and did not engage in any investments with high risks or involving speculative derivative instruments.

Cash and cash equivalents

As at 31 December 2020, our cash and cash equivalents amounted to approximately RMB596.1 million, compared with approximately RMB147.9 million as of 31 December 2019, which primarily consisted of cash at bank and cash on hand mainly denominated in RMB (as to approximately 60.8%), USD (as to approximately 37.4%), THB (as to approximately 1.0%) and other currencies (as to approximately 0.8%).

Capital expenditures

Our capital expenditures comprised expenditures on the purchase of furniture and office equipment and leasehold improvements. For the year ended 31 December 2020, our total capital expenditures amounted to approximately RMB2.4 million, representing the purchase of furniture and office equipment and leasehold improvement (2019: approximately RMB5.0 million, including the purchase of furniture and office equipment). We funded our capital expenditure by using our cash flow generated from our operations.

Capital Commitment

Shenzhen Fire Element, an indirect wholly-owned subsidiary of the Group (as limited partner), entered into an investment agreement with Shenzhen Qianhai Tongfu Equity Investment Management Co., Ltd. (深圳前海通付股權投資管理有限公司) (as general partner) and Shenzhen Angel FOF Co., Ltd (深圳市天使投資引導基金有限公司) (as limited partner) in November 2020 for the joint venture establishment of Shenzhen Huaying Angel Investment Enterprise (Limited Partnership) (深圳華映天使投資企業(有限合夥)) (“**Shenzhen Huaying Fund**”) with fund size of RMB51.0 million. The fund was

formed on 18 December 2020. The total amount of the Group's capital commitment for Shenzhen Huaying Fund was RMB30.0 million as at 31 December 2020. In January 2021, the Group has made capital contribution of RMB15.0 million to Shenzhen Huaying Fund for investment in connection with the aforesaid contract.

As at 31 December 2020, the Group has committed to future minimum lease payments in accordance with non-cancellable operating lease agreements for the lease of office buildings amounting to approximately RMB7.9 million (31 December 2019: approximately RMB9.7 million).

Save as disclosed above, as at 31 December 2020, 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 2020, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 9.9% (31 December 2019: 10.5%).

CHARGE ON GROUP ASSETS

As at 31 December 2020, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (31 December 2019: Nil).

POST-BALANCE SHEET DATE EVENT

In February 2021, the Group formed Su Ze Lan Te (Shanghai) Cyber Technology Company Limited* (蘇澤蘭特(上海)網路科技有限公司) (“**Su Ze Lan Te (Shanghai)**”), a non wholly-owned subsidiary, with Mr. Hu Xuanfeng (胡烜峰) (“**Mr. Hu**”) and Mr. Ye Bin (葉斌), a member of Mr. Hu's game development team. The registered capital of Su Ze Lan Te (Shanghai) is RMB10,000,000, owned as to 51% by the Company. Su Ze Lan Te (Shanghai) is principally engaged in the projects relating to blockchain applications in games.

Saved as disclosed above and as set forth in section headed “Significant investments in or material acquisitions or disposal of subsidiaries and associated companies”, no significant event requiring disclosure has taken place after 31 December 2020 and up to the date of this report.

* *for identification purpose only*

INFORMATION ON EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had 216 employees (31 December 2019: 181), who were mainly based in the PRC and Thailand. The table below sets forth the number of employees by function as at 31 December 2020 and 2019:

Department	2020		2019	
	<i>Number of employees</i>	<i>% of total</i>	<i>Number of employees</i>	<i>% of total</i>
Management	9	4.2	9	5.0%
Project development	140	64.8	102	56.3%
Game design	32	14.8	16	8.8%
Programming	77	35.6	61	33.7%
Art	31	14.4	25	13.8%
Project Support	51	23.6	57	31.5%
Marketing	7	3.2	18	9.9%
Licensing and operator support	32	14.8	30	16.6%
Information technology	12	5.6	9	5.0%
Finance and administration	16	7.4	13	7.2%
Total	216	100.0	181	100.0%

The total remuneration of the employees of the Company was approximately RMB21.7 million for the year ended 31 December 2020 (2019: approximately RMB22.6 million).

The Company has established a remuneration committee with written terms of reference in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Remuneration Committee 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

As explained above Shenzhen Fire Element, an indirect subsidiary of the Group (as limited partner), formed Shenzhen Huaying Fund in joint venture with Shenzhen Qianhai Tongfu Equity Investment Management Co., Ltd. (深圳前海通付股權投資管理有限公司) (as general partner) and Shenzhen Angel FOF Co., Ltd (深圳市天使投資引導基金有限公司) (as limited partner) in December 2020 to invest principally in strategic new industries supported and encouraged by the Shenzhen municipal government, future industries and other key industries designated by the municipal government for development, such as information technology and data application and the Internet. It had completed the filing for fund establishment with the Asset Management Association of China in accordance with the laws and regulations of the PRC on 1 March 2021.

As disclosed in the announcement of the Company dated 4 February 2021, the acquisition of 100% equity interests in Tak Shing International by the Company was completed on 4 February 2021. For details of the acquisition, please refer to (i) the announcements of the Company dated 18 November 2020, 8 December 2020, 23 December 2020 and 8 January 2021 regarding the Acquisition; (ii) the circular of the Company dated 13 January 2021 and (iii) the announcement of the Company dated 2 February 2021 regarding the poll results of the extraordinary general meeting held on 2 February 2021. Following the completion of the acquisition, Tak Shing International becomes a wholly-owned subsidiary of the Company, and the financial results, assets and liabilities of Tak Shing International are incorporated in the consolidated financial statements of the Company in 2021.

Save for the investments mentioned above, 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 2020, the Group did not have any significant unrecorded contingent liabilities (31 December 2019: Nil).

FOREIGN EXCHANGE RISKS

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD, EUR, JPY, HKD and SGD. 87.3% (2019: approximately 95.4%) of the transactions of the Group are denominated and settled in its functional currency, RMB and approximately 12.7% of the revenue are denominated in currencies other than RMB for the year ended 31 December 2020 (2019: approximately 4.6%). 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 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 2020, the Group has spent approximately HKD27.4 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 HKD2.5 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 2020, the Company's use of proceeds from the Placing is set out as follows:

			31 December 2020	31 December 2020	31 December 2020	31 December 2020
	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%	2.5	8.7%	0.4	1.3%
Working capital and other general corporate purposes	1.5	5.0%	1.5	5.0%	—	—
Total	<u>28.9</u>	<u>100.0%</u>	<u>27.4</u>	<u>94.8%</u>	<u>1.5</u>	<u>5.2%</u>

SHARE SUBDIVISION

On 28 July 2020, the Board of the Company proposed to subdivide each of the existing issued and unissued shares of HKD0.01 each in the share capital of the Company into three subdivided Shares of par value of one third Hong Kong cent each. The share subdivision plan was approved by Shareholders at the extraordinary general meeting held on 17 August 2020. On 19 August 2020, the share subdivision became effective upon the fulfilment of all conditions precedent. For further details, please refer to the announcements of the Company dated 20 July 2020 and 18 August 2020 and the circular of the Company dated 28 July 2020. Prior to the share subdivision becoming effective, the authorised share capital of the Company was HKD20,000,000 divided into 2,000,000,000 Shares of HKD0.01 each, of which 320,000,000 Shares were issued and fully paid or credited as fully paid. Upon the share subdivision becoming effective, the authorised share capital of the Company has become HKD20,000,000 divided into 6,000,000,000 share subdivision of par value of one third Hong Kong cent each, of which 960,000,000 share subdivision are issued and fully paid or credited as fully paid.

EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to owners of the Company of RMB343,214,304 (2019: RMB208,789,246) and the weighted average number of 960,000,000 ordinary shares (2019: 960,000,000 ordinary shares as adjusted following the share subdivision in 2020) in issue during the year.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the years ended 31 December 2020 and 2019.

RISK FACTORS FACED BY THE COMPANY AND RISK MITIGATION MEASURES

The Group principally engaged in the development and operation of our software and games in different language versions and licensing our games to different licensed operators for operation internationally. The major risks involved in our 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.

We believe that there are certain risks involved in our operations, mainly include (i) risks relating to our business; (ii) risks relating to our industry; and (iii) risks relating to policies.

(i) Risks relating to our business

For the years ended 31 December 2020 and 2019, all of the Group's five largest customers were third-party licensed operators licensed to operate the Group's self-developed games within designated territories. We rely heavily on our licensed operators from which our revenue is sourced, and any deterioration or interruption of our business relationships with our licensed operators may have a material and adverse impact on our business, results of operations and financial position. Besides, a significant portion of our revenue was generated from a small number of games, as the Fish Catching Contest (捕魚大亂鬥) and Sweeties Fighting (零食大亂鬥) game series contributed approximately 45.3% and 20.2% of our revenue for the year ended 31 December 2020 respectively. Any significant adverse impacts to these games could materially affect our business. In response, we adopted the following measures in 2020 to manage those risks: we capitalised on our strengths in R&D and extended our advantages in game research and development to the development of software, providing enterprises with computer software and intellectual property right licensing services. We also actively attempted to adopt the self-operation model for our games and looked for competent new licensed operators so we could minimise our reliance on major licensed operators; we continued to provide new premium licensed game products for licensed operators and upgraded our existing game products to attract and retain our players and enhance players' gaming experience and level of spending. We consolidated our relationship with business partners to attain mutually beneficial cooperation.

(ii) Risks relating to our industry

As a game developer, we expect to face intense competition from many counterparts domestically and internationally. We also face 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, we continue 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, we also continue 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 PRC. As the revenue of the Group is mainly derived within the PRC, any changes in policies by governmental regulatory bodies, such as the State Administration of Radio, Film, and Television and the Ministry of Culture and Tourism could also affect the market, which could in turn impact our results of operations.

The Group launched the overseas self-operation of two games, namely, Jungle Treasure (叢林秘寶) and the Bull Hunter (獵牛達人), in 2020. These measures reduce the risks relating to the competitive game market in the PRC and risks relating to the adjustments in policies regarding the issuance of game permits; expand and broaden the sales of the Company's games to overseas markets, and in turn increase and widen the Group's revenue sources.

RISK MANAGEMENT

The audit committee of the Company 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.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company appreciates the importance of compliance with relevant laws and regulations. The Company has committed human resources to ensure consistent compliance with provisions and codes and build good relationship with supervising authorities through effective communication. From the date of Listing to 31 December 2020, to the knowledge of Directors, the Company is in compliance with the Securities and Futures Ordinance (the "SFO"), the Listing Rules and other relevant codes and regulations. During the year under review, to the best of our knowledge, the Group has complied with the SFO, the Listing Rules, The Code on Takeover and Mergers and Share Buy-backs, as well as the rules formulated by the cultural administration authorities of the PRC government, including the Administrative Measures for Internet Information Services (互聯網信息服務管理辦法), the Provisional Regulations on the Administration of Internet Culture (互聯網文化管理暫行規定), and other relevant rules and regulations.

RELATIONSHIP WITH EMPLOYEES, LICENCED OPERATORS AND SUPPLIERS

The relationships between the Group and its employees, licensed operators and suppliers have material impact on our business and sustainable development. Therefore, the Group is dedicated to building a good relationship with employees, licensed operators and suppliers.

The Group regards its employees as the most important and valuable assets. The objectives of human resources management are to motivate outstanding staff with competitive remuneration packages and comprehensive performance assessment and to assist the staff to develop their career and get promotion in the Group by providing suitable training and opportunities. In addition, the management is considering other measures to retain staff and keep staff turnover stable. The Company has also conditionally adopted the share option scheme to recognise and reward eligible participants (including employees) for the contributions they have made or could make to the Group. The details of the share option scheme is set out in the section headed “Director’s Report”. Details about employees, remuneration policies and retirement benefits are set out in the consolidated financial statements.

The customers of the Group are mainly our licensed operators. We strive to maintain stable business relationships with the existing licensed operators. Meanwhile, we also actively take measures to reduce the reliance on the major licensed operators by seeking new licensed operators (subject to our current licensing arrangements) for new games in new markets. In addition, we began to provide computer software service relating to game operation for our major licensed operators during the year and provided enterprises with licenses for intellectual property rights, so as to foster closer relationships with them.

The main suppliers of the Group included the companies providing outsourcing services such as graphic designs, sound effects, background music, subsequent updates and optimisations during the game developing and programming stages, server data centres and broadband service providers. We strive to maintain a stable business relationship with the current suppliers to ensure the stability of the services provided for the benefit of our long-term game development and operation.

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 our Company is a holding company registered in the Cayman Islands and our 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

On 17 April 2020, the Company declared a final dividend for 2019 amounting to HKD30.0 million (approximately RMB26.4 million) in aggregate or HKD0.09375 (equivalent to approximately RMB0.0825) per share in the form of cash to the Shareholders whose names appear on the register of members of the Company as at 11 August 2020.

Saved as disclosed above, no dividends were declared or paid during the year ended 31 December 2020. During the board meeting held on 30 March 2021, the Board recommended the payment of a final dividend of HKD0.05208 per share (equivalent to approximately RMB0.0438 per share) in the form of cash to the Shareholders. Reference is made to the announcement of the Company dated 30 March 2021 in relation to, among other things, the proposed subdivision of each of the existing issued and unissued shares of one third Hong Kong cent each in the share capital of the Company into four (4) subdivided shares of par value of one twelfth Hong Kong cent each. If the share subdivision becomes effective prior to the payment of the final dividend, the final dividend will be a cash dividend of HKD0.01302 (equivalent to approximately to RMB0.01095) per subdivided share. The proposed final dividend for 2020 is subject to the Shareholders' approval at the Annual General Meeting ("AGM") to be convened. The Company will make further announcement(s) in respect of the book closure date for the purpose for determining shareholders' entitlement to the final dividend, the record date and dividend payment date.

CLOSURE OF REGISTER OF MEMBERS FOR THE ANNUAL GENERAL MEETING

For the purpose of determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 7 May 2021 to Wednesday, 12 May 2021, during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Wednesday, 12 May 2021 will be entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 6 May 2021.

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.

The Directors consider the Company has complied with all the code provisions set out in the respective codes throughout the reporting period.

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 2020.

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 2020.

AUDIT COMMITTEE

We established the Audit Committee on 24 January 2016. The chairman of the Audit Committee is Mr. Chan King Fai, 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 2020 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 2020 complied with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF BDO 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 2020 as set out in this annual results announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by BDO 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 BDO 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 2020 containing all the information required by the Listing Rules will be dispatched to the shareholders and published on the above websites in due course.

By order of the Board
Fire Rock Holdings Limited
Su Yi
Executive Director and CEO

Hong Kong, Tuesday, 30 March 2021

As at the date of this announcement, the executive Directors are Mr. Su Yi, Mr. Zhou Kun and Mr. Chen Di; the non-executive Directors are Mr. Zhang Yan, Mr. Huang Yong and Ms. Yang Kan; and the independent non-executive Directors are Mr. Chan King Fai, Mr. Yang Zhen and Ms. Zhuang Renyan.