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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS (UNAUDITED)

- For the six months ended 30 June 2022, the Group's revenue decreased by approximately 89.5% from approximately HKD497.1 million for the six months ended 30 June 2021 to approximately HKD52.4 million.
- For the six months ended 30 June 2022, the Group's gross profit decreased by approximately 90.5% from approximately HKD398.9 million for the six months ended 30 June 2021 to approximately HKD37.9 million.
- For the six months ended 30 June 2022, the Group's profit decreased by approximately 93.0% from approximately HKD272.8 million for the six months ended 30 June 2021 to approximately HKD19.2 million.
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

INTERIM RESULTS (UNAUDITED)

The board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”) together with the comparative figures for the six months ended 30 June 2021 (the “**Corresponding Period in 2021**”). Such results have been reviewed by the audit committee of the Company.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE

| | <i>Notes</i> | 2022 <i>HKD'000</i> (unaudited) | 2021 <i>HKD'000</i> (unaudited) |
|---|--------------|---|--|
| Revenue | 4 | 52,428 | 497,073 |
| Direct costs | | (14,524) | (98,222) |
| Gross profit | | 37,904 | 398,851 |
| Other income | 4 | 29,325 | 13,093 |
| Research and development costs | | — | (5,734) |
| Distribution costs | | (24,819) | (39,107) |
| Administrative expenses | | (11,435) | (27,800) |
| Changes in fair value of financial assets at fair value through profit or loss | | — | (2,538) |
| Finance costs | | (9,427) | (9,289) |
| Profit before income tax | 5 | 21,548 | 327,476 |
| Income tax expense | 6 | (2,315) | (54,670) |
| Profit for the period | | 19,233 | 272,806 |
| Other comprehensive income: | | | |
| Item that may be reclassified subsequently to profit or loss | | | |
| — Exchange differences on translation of foreign operations | | 268 | 5,212 |
| Other comprehensive income for the period | | 268 | 5,212 |
| Total comprehensive income for the period | | 19,501 | 278,018 |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 20,407 | 271,691 |
| Non-controlling interests | | (1,174) | 1,115 |
| | | 19,233 | 272,806 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 20,747 | 277,041 |
| Non-controlling interests | | (1,246) | 977 |
| | | 19,501 | 278,018 |
| | | HKD cents | HKD cents |
| Earnings per share | | | |
| Basic and diluted | 8 | 0.53 | 7.08 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As at 30 June 2022 <i>HKD'000</i> (unaudited) | As at 31 December 2021 <i>HKD'000</i> (audited) |
|---|--------------|---|---|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Property, plant and equipment | | 2,284 | 2,178 |
| Intangible assets | 9 | 927 | — |
| Goodwill | 10 | — | — |
| Right-of-use assets | | 2,530 | 1,225 |
| Financial assets at fair value through profit or loss | | — | — |
| Deposits | | <u>35,851</u> | <u>35,291</u> |
| | | <u>41,592</u> | <u>38,694</u> |
| Current assets | | | |
| Trade receivables | 11 | 7,873 | 9,620 |
| Prepayments, deposits and other receivables | | 6,017 | 1,220 |
| Cash and cash equivalents | | <u>133,966</u> | <u>347,755</u> |
| | | <u>147,856</u> | <u>358,595</u> |
| Current liabilities | | | |
| Other payables | 12 | 16,270 | 229,069 |
| Promissory notes | 13 | 332,538 | 252,200 |
| Deferred revenue | | 1,337 | 18 |
| Lease liabilities | | 1,230 | 779 |
| Tax payables | | <u>2,834</u> | <u>2,167</u> |
| | | <u>354,209</u> | <u>484,233</u> |
| Net current liabilities | | <u>(206,353)</u> | <u>(125,638)</u> |
| Total assets less current liabilities | | <u>(164,761)</u> | <u>(86,944)</u> |

| | | As at 30 June 2022 <i>HKD'000</i> (unaudited) | As at 31 December 2021 <i>HKD'000</i> (audited) |
|---|----|---|---|
| Non-current liabilities | | | |
| Lease liabilities | | 1,262 | 411 |
| Promissory notes | 13 | 268,210 | 366,613 |
| Deferred tax liabilities | | 1,672 | 1,671 |
| | | <u>271,144</u> | <u>368,695</u> |
| Net liabilities | | <u>(435,905)</u> | <u>(455,639)</u> |
| Equity | | | |
| Share capital | 14 | 3,200 | 3,200 |
| Reserves | | (443,774) | (464,589) |
| Equity attributable to owners of the Company | | (440,574) | (461,389) |
| Non-controlling interests | | 4,669 | 5,750 |
| Total deficit | | <u>(435,905)</u> | <u>(455,639)</u> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. GENERAL INFORMATION

Fire Rock Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 3 November 2014. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located 20 Science Park Road, #02-25 Teletech Park, Singapore 117674.

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

The condensed consolidated statement of financial position as at 30 June 2022, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months ended 30 June 2022, as well as a summary of significant accounting policies and other explanatory information (collectively, the “**Interim Condensed Financial Statements**”) are unaudited, but have been reviewed by the audit committee of the Company and approved for issue by the board of directors on 27 July 2023.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Interim Condensed Financial Statements for the six months ended 30 June 2022 has been prepared in accordance with the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which are effective for the Group’s financial year beginning 1 January 2022, the accounting policies applied in preparing this unaudited Interim Condensed Financial Statements for the six months ended 30 June 2022 are consistent with those of the annual financial statements for the year ended 31 December 2021 issued by the Company on 27 July 2023, as described in those annual financial statements except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2022. The adoption of the new or amended HKFRSs in the current interim period has no impact on the Group’s Interim Condensed Financial Statements. The Interim Condensed Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021.

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

(b) Basis of measurement

The unaudited Interim Condensed Financial Statements has been prepared on the historical cost basis, as modified by the revaluation of certain financial assets which are held at fair value.

(c) Deconsolidation

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

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

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

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

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

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

(d) Going concern basis

For the six months ended 30 June 2022, the Group's current liabilities exceeded its current assets by approximately HKD206,353,000 and the Group had net liabilities of approximately HKD435,905,000. The directors of the Company have given careful considerations to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to meet its financial obligations for at least 12 months from 30 June 2022, taking into consideration a number of plans and measures as set out below:

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

The directors of the Company are of the opinion that, considering the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2022. Accordingly, these Interim Condensed Financial Statements have been prepared on a going concern basis.

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 six months ended 30 June 2022 & 2021, the Group has two reportable segments. These segments are managed separately as each business offers different products and services which require different business strategies. The following summary describes the operations in each of the Group's reportable segments:

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

For the six months ended 30 June

| | 2022 | 2021 |
|--|-----------------------|-----------------------|
| | <i>HKD'000</i> | <i>HKD'000</i> |
| | (unaudited) | (unaudited) |
| Revenue from customers: | | |
| Game and software development and publishing | 58 | 53,516 |
| Game operation and publishing | 52,370 | 443,557 |
| | 52,428 | 497,073 |

Certain corporate income and expenses 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 six months ended 30 June 2022 and 2021 is set out below.

| | For the six months ended 30 June 2022 | | |
|----------------------------------|---|--------------------------------------|-----------------------|
| | Game and software development and publishing | Game operation and publishing | Total |
| | <i>HKD'000</i> | <i>HKD'000</i> | <i>HKD'000</i> |
| | (unaudited) | (unaudited) | (unaudited) |
| Revenue from external customers | 58 | 52,370 | 52,428 |
| Reportable segment (loss)/profit | (3,725) | 9,261 | 5,536 |
| Interest income | 115 | 8 | 123 |
| Finance costs | 12 | 13 | 25 |
| Depreciation and amortisation | 412 | 1,443 | 1,855 |
| Additions to non-current assets | 3,246 | 65 | 3,311 |

| | As at 30 June 2022 | | |
|--------------------------------|---|--------------------------------------|-----------------------|
| | Game and software development and publishing | Game operation and publishing | Total |
| | <i>HKD'000</i> | <i>HKD'000</i> | <i>HKD'000</i> |
| | (unaudited) | (unaudited) | (unaudited) |
| Reportable segment assets | 107,520 | 29,914 | 137,434 |
| Reportable segment liabilities | 8,742 | 9,496 | 18,238 |

For the six months ended 30 June 2021

| | Game and software development and publishing <i>HKD'000</i> (unaudited) | Game operation and publishing <i>HKD'000</i> (unaudited) | Elimination <i>HKD'000</i> (unaudited) | Total <i>HKD'000</i> (unaudited) |
|------------------------------------|--|---|--|--|
| Revenue from external customers | 53,516 | 443,557 | — | 497,073 |
| Inter-segment revenue | <u>216,720</u> | <u>—</u> | <u>(216,720)</u> | <u>—</u> |
| Reportable segment revenue | <u>270,236</u> | <u>443,557</u> | <u>(216,720)</u> | <u>497,073</u> |
| Reportable segment profit | 35,222 | 318,661 | — | 353,883 |
| Interest income | 2,329 | 951 | — | 3,280 |
| Government grant | 2,718 | 3,690 | — | 6,408 |
| Finance costs | 185 | 41 | — | 226 |
| Depreciation and amortisation | 7,708 | 36,364 | — | 44,072 |
| Additions to non-current assets | <u>20,330</u> | <u>362,650</u> | <u>—</u> | <u>382,980</u> |

As at 31 December 2021

| | Game and software development and publishing <i>HKD'000</i> (audited) | Game operation and publishing <i>HKD'000</i> (audited) | Total <i>HKD'000</i> (audited) |
|--------------------------------|--|---|--------------------------------------|
| Reportable segment assets | 282,160 | 29,183 | 311,343 |
| Reportable segment liabilities | <u>153,517</u> | <u>11,709</u> | <u>165,226</u> |

Reconciliation of reportable segment profit, assets and liabilities:

| | For the six months ended 30 June | |
|---|---|----------------|
| | 2022 | 2021 |
| | <i>HKD'000</i> | <i>HKD'000</i> |
| | (unaudited) | (unaudited) |
| <i>Profit before income tax</i> | | |
| Reportable segment profit | 5,536 | 353,883 |
| Unallocated interest income | 4 | 55 |
| Unallocated corporate profit/(expenses) | 16,008 | (26,462) |
| | <u>21,548</u> | <u>327,476</u> |
| Consolidated profit before income tax | <u>21,548</u> | <u>327,476</u> |
| | As at | As at |
| | 30 June | 31 December |
| | 2022 | 2021 |
| | <i>HKD'000</i> | <i>HKD'000</i> |
| | (unaudited) | (audited) |
| <i>Assets</i> | | |
| Reportable segment assets | 137,434 | 311,343 |
| Unallocated corporate assets | 52,014 | 85,946 |
| | <u>189,448</u> | <u>397,289</u> |
| Consolidated total assets | <u>189,448</u> | <u>397,289</u> |
| <i>Liabilities</i> | | |
| Reportable segment liabilities | 18,238 | 165,226 |
| Unallocated corporate liabilities | 607,115 | 687,702 |
| | <u>625,353</u> | <u>852,928</u> |
| Consolidated total liabilities | <u>625,353</u> | <u>852,928</u> |

Unallocated expenses mainly represent administrative expenses, which mainly included salaries and bonus, donation, legal and professional fee and depreciation of right-of-use assets.

(b) Disaggregation of revenue from 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 Asia Pacific. Accordingly, management determines that the Group is domiciled in the Asia Pacific.

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

| | For the six months ended 30 June | |
|--------------------------------------|---|---|
| | 2022 <i>HKD'000</i> (unaudited) | 2021 <i>HKD'000</i> (unaudited) |
| Primary geographical markets* | | |
| The PRC | — | 446,561 |
| Asia Pacific | 52,428 | 50,502 |
| Europe | — | 10 |
| | <u>52,428</u> | <u>497,073</u> |

* Based on the location of licensed operators and game operation.

| | For the six months ended 30 June | |
|--------------------------------------|---|---|
| | 2022 <i>HKD'000</i> (unaudited) | 2021 <i>HKD'000</i> (unaudited) |
| Timing of revenue recognition | | |
| Over time | — | 4,673 |
| At a point in time | 52,428 | 492,400 |
| | <u>52,428</u> | <u>497,073</u> |
| | As at 30 June 2022 <i>HKD'000</i> (unaudited) | As at 31 December 2021 <i>HKD'000</i> (audited) |
| Non-current assets | | |
| Thailand | 1,520 | 1,383 |
| Hong Kong | 38,152 | 35,497 |
| Singapore | 1,920 | 1,814 |
| | <u>41,592</u> | <u>38,694</u> |

Note: Non-current assets exclude financial instruments.

(c) Information about major licensed operators

There was no revenue from customers individually contributing over 10% to the total revenue of the Group for the six months ended 30 June 2022.

4. REVENUE AND OTHER INCOME

| | For the six months ended 30 June | |
|--|---------------------------------------|---------------------------------------|
| | 2022 <i>HKD'000</i> (unaudited) | 2021 <i>HKD'000</i> (unaudited) |
| Revenue | | |
| Game and software development and publishing | 58 | 53,516 |
| Game operation and publishing | 52,370 | 443,557 |
| | <u>52,428</u> | <u>497,073</u> |
| Other income | | |
| Interest income | 127 | 3,335 |
| Government grants (<i>note</i>) | — | 6,408 |
| Exchange gain, net | 29,122 | 2,934 |
| Others | 76 | 416 |
| | <u>29,325</u> | <u>13,093</u> |

Note: The Group received various government subsidies from local government authorities in the PRC of HKD6,408,000 for the six months ended 30 June 2021. There are no unfulfilled conditions and other contingencies relating to these grants and subsidies.

5. PROFIT BEFORE INCOME TAX

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

| | For the six months ended 30 June | |
|--|---------------------------------------|---------------------------------------|
| | 2022 <i>HKD'000</i> (unaudited) | 2021 <i>HKD'000</i> (unaudited) |
| Depreciation of plant and equipment* | 1,490 | 1,972 |
| Depreciation of right-of-use assets* | 366 | 2,258 |
| Amortisation of intangible assets** | — | 40,461 |
| Interest expense on promissory notes | 8,802 | 8,696 |
| Imputed interest expenses on promissory notes | 600 | 308 |
| Interest expense on lease liabilities | 25 | 285 |
| Exchange gain, net | (29,122) | (2,934) |
| Employee costs (including directors' remuneration) | 4,562 | 23,743 |
| | <u>4,562</u> | <u>23,743</u> |

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

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

6. INCOME TAX EXPENSE

| | For the six months ended 30 June | |
|--|----------------------------------|-------------|
| | 2022 | 2021 |
| | HKD'000 | HKD'000 |
| | (unaudited) | (unaudited) |
| Current period — PRC Enterprise Income Tax (“EIT”) | | |
| — Tax for the period | — | 54,586 |
| — Under-provision in respect of prior years | — | 7,997 |
| — Withholding tax on dividends | — | 36,358 |
| Current period — Thailand Corporate Income Tax (“CIT”) | | |
| — Tax for the period | 2,315 | 1,198 |
| Deferred tax | 2,315 | 100,139 |
| | — | (45,469) |
| | 2,315 | 54,670 |

7. DIVIDENDS

On 30 March 2021, a final dividend, in the form of a cash dividend of HKD0.05208 per share in respect of the year ended 31 December 2020 has been proposed by the Board and is approved by the shareholders in the annual general meeting held on 12 May 2021.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HKD20,407,000 (six months ended 30 June 2021: approximately HKD271,691,000) and the weighted average number of 3,840,000,000 ordinary shares (six months ended 30 June 2021: 3,840,000,000) in issue during the period. The weighted average number of ordinary share used in the calculation of earnings per share for the six months ended 30 June 2021 has been adjusted to reflect the share subdivisions which have been completed on 4 May 2021.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the six months ended 30 June 2022 and 2021.

9. INTANGIBLE ASSETS

For the six months ended 30 June 2022, additional development costs of approximately HKD962,000 (for the six months ended 30 June 2021: approximately HKD19,716,000 which included additions to intangible assets arising from the business acquisition of HKD357,792,000 (note 15)).

10. GOODWILL

| | As at 30 June 2022 <i>HKD'000</i> (unaudited) | As at 31 December 2021 <i>HKD'000</i> (audited) |
|--|---|---|
| COST | | |
| At beginning of the period | — | — |
| Acquisition of subsidiaries (<i>note 15</i>) | — | 764,628 |
| Deconsolidation of subsidiaries | — | (780,545) |
| Exchange alignment | — | 15,917 |
| | <u>—</u> | <u>—</u> |
| | <u>—</u> | <u>—</u> |

11. TRADE RECEIVABLES

The Group allows credit period within 120 days to its licensed operators, third party game distribution platforms and payment channels. The aging analysis of trade receivables at the end of the reporting period, based on invoice date is as follows:

| | As at 30 June 2022 <i>HKD'000</i> (unaudited) | As at 31 December 2021 <i>HKD'000</i> (audited) |
|-----------|---|---|
| 0–30 days | <u>7,873</u> | <u>9,620</u> |

The Group does not hold any collateral over these balances.

12. OTHER PAYABLES

| | As at 30 June 2022 <i>HKD'000</i> (unaudited) | As at 31 December 2021 <i>HKD'000</i> (audited) |
|--|---|---|
| Other payables | 1,463 | 1,924 |
| Accruals | 4,292 | 10,751 |
| Amounts due to a deconsolidated subsidiary | <u>10,515</u> | <u>216,394</u> |
| | <u>16,270</u> | <u>229,069</u> |

13. PROMISSORY NOTES

| | As at 30 June 2022 <i>HKD'000</i> (unaudited) | As at 31 December 2021 <i>HKD'000</i> (audited) |
|---|---|---|
| At beginning of the period | 618,813 | — |
| Issue of promissory notes | — | 717,147 |
| Accrued interest expenses | 8,802 | 18,162 |
| Imputed interest accrued | 600 | 801 |
| Repayment of principal of promissory notes | — | (130,623) |
| Exchange alignment recognised in profit or loss | <u>(27,467)</u> | <u>13,326</u> |
| At end of the period | <u><u>600,748</u></u> | <u><u>618,813</u></u> |

On 4 February 2021, the Company issued promissory notes with aggregate principal amount of RMB600,000,000 (equivalent to approximately HKD717,147,000) as part of the consideration to acquire the entire equity interest in the Tak Shing International (note 15). The promissory notes are unsecured, interest-bearing at 3% per annum and to be settled by eight equal instalments of RMB75,000,000 per instalment, payable semi-annually from 30 June 2021 and up to 31 December 2024. All interests are accrued and paid annually. The Company may redeem (in full or in part) the promissory notes at any time prior to its maturity (i.e. 31 December 2024) by giving prior written notice to the promissory note holder. The promissory notes are measured at amortised cost and using the effective interest rates at 3.11%.

Represented by:

| | As at 30 June 2022 <i>HKD'000</i> (unaudited) | As at 31 December 2021 <i>HKD'000</i> (audited) |
|-------------|---|---|
| Current | 332,538 | 252,200 |
| Non-current | <u>268,210</u> | <u>366,613</u> |
| | <u><u>600,748</u></u> | <u><u>618,813</u></u> |

14. SHARE CAPITAL

| | Number of shares | Amount <i>HKD'000</i> |
|--|------------------------------|--------------------------|
| Authorised: | | |
| At 1 January 2021 | 6,000,000,000 | 20,000,000 |
| Share subdivision (<i>note</i>) | <u>18,000,000,000</u> | <u>—</u> |
| At 31 December 2021, 1 January 2022 and 30 June 2022 | <u>24,000,000,000</u> | <u>20,000,000</u> |
| Issued and fully paid: | | |
| At 1 January 2021 | 960,000,000 | 3,200,000 |
| Share subdivision (<i>note</i>) | <u>2,880,000,000</u> | <u>—</u> |
| At 31 December 2021, 1 January 2022 and 30 June 2022 | <u>3,840,000,000</u> | <u>3,200,000</u> |

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

15. ACQUISITION OF TAK SHING INTERNATIONAL HOLDINGS LIMITED

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

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

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

| | <i>HKD'000</i> |
|--|-----------------------|
| Property, plant and equipment | 1,973 |
| Intangible assets | 357,717 |
| Right-of-use assets | 945 |
| Trade receivables | 359 |
| Prepayment, deposits and other receivables | 89,326 |
| Bank balances and cash | 95,334 |
| Trade and other payables* | (107,961) |
| Lease liabilities | (924) |
| Deferred tax liabilities | (89,548) |
| | <hr/> |
| Total identifiable net assets acquired | <u><u>311,964</u></u> |

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

The directors of the Company have determined the fair value of the identifiable assets and liabilities of Tak Shing International on the Completion Date with reference to the valuation report issued by Peak Vision.

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

Fair value of net assets to be acquired represents:

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

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

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

Cash outflow arising from the Acquisition:

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

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

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

Since the Completion Date, Tak Shing International and its subsidiaries has contributed a revenue of HKD799,543,000 and a profit after tax of HKD111,637,000 to the Group up to 4 December 2021. Included in the loss after tax, an amount of HKD538,728,000 represented the royalties paid to Shenzhen Fire Element, which was eliminated in the consolidated financial statements. If the acquisition had occurred on 1 January 2021, the Group's revenue and loss after tax for the year ended 31 December 2021 would have been HKD1,099,231,000 and HKD1,218,021,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of further performance.

16. DECONSOLIDATION OF SUBSIDIARIES

As disclosed in note 2(c) to this announcement, the Directors considered that the Group had lost control over the PRC Major Subsidiaries on 4 December 2021. The net assets of the PRC Major Subsidiaries at 4 December 2021 were as follows:

| | <i>HKD'000</i> |
|---|------------------|
| Property, plant and equipment | 6,906 |
| Intangible assets (<i>note 9</i>) | 372,068 |
| Right-of-use assets | 8,283 |
| Goodwill (<i>note 10</i>) | 780,545 |
| Financial assets at fair value through profit or loss | 18,346 |
| Trade receivables | 49,107 |
| Prepayment, deposits and other receivables | 60,492 |
| Amounts due from the Group | 216,394 |
| Bank balances and cash | 430,308 |
| Trade and other payables | (601,097) |
| Deferred revenue | (704) |
| Lease liabilities | (8,868) |
| Tax payable | (108) |
| Deferred tax liabilities | (83,083) |
| | <hr/> |
| Net assets of the PRC Major Subsidiaries | 1,248,589 |
| Less: Release of foreign exchange reserve | (44,265) |
| Release of non-controlling interests | (3,986) |
| | <hr/> |
| Loss on deconsolidation of subsidiaries | <u>1,200,338</u> |

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

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

17. EVENTS AFTER THE REPORTING PERIOD

- (a) As disclosed in the announcement of the Company dated 30 June 2023 regarding the very substantial acquisition in relation to the acquisition of 100% equity interests in Tak Shing International Holdings Limited, the Company, the Vendors and their respective ultimate beneficial owners have all agreed upon negotiation to procure all the Vendors to surrender the Promissory Notes to the Company and give up the right to the outstanding principal amount totaling to RMB491,670,000 and their respective interest payables totaling to RMB37,416,825 as at 30 June 2023.
- (b) In March 2023, the Group disposed its entire equity interest in Lord Metaverse Co. Ltd., a subsidiary of the Group, at a cash consideration of THB810,000 (approximately HKD185,000).
- (c) On 7 September 2022, the Group entered into a non-legally binding memorandum of understanding with vendors, pursuant to which, the vendors agreed to sell and the Group agreed to acquire entire equity shares in Summer Mountain Limited and its subsidiaries (the “**Summer Mountain Group**”) for the consideration of RMB80 million which will be satisfied by cash RMB16,000,000 and RMB64,000,000 will be satisfied by issuance of the Promissory Notes. The principle activities of the Summer Mountain Group are (i) provision of online marketing support, and provision of Internet technology services and technology development to clients; (ii) sales of virtual goods and offline promotion; and (iii) live broadcast and e-commerce operations business. At the date of this announcement, a deposit of RMB12,500,000 had been paid to the vendors.
- (d) Subsequent to the 31 December 2021 and up to the date of this announcement, the Group paid US\$2,000,000 to general partner as an initial investment for a private fund which is wholly owned by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2022. The interim results have been reviewed by the Audit Committee of the Company.

Business Review and Prospects

Overview

The Group is a well-established game developer, publisher and operator. During the reporting period, the Group strategically expanded its main business to more diversified services, including publishing Internet application technology business and investment business. For the six months ended 30 June 2022, the profit attributable to equity holders of the Company was approximately HKD20.4 million, while for the six months ended 30 June 2021, the profit attributable to equity holders of the Company was approximately HKD271.7 million.

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

FINANCIAL REVIEW

Revenue

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

During the six months ended 30 June 2022, the Group's revenue was approximately HKD52.4 million, representing a decrease from approximately HKD497.1 million for the six months ended 30 June 2021, which was primarily due to the deconsolidation of the subsidiaries in the PRC on 4 December 2021, which contributed a significant portion of revenue of the Group.

Revenue by geographical markets

The following table sets forth our revenue from our games based on geographical territories, in absolute amounts and as a percentage of our revenue for each of the six months ended 30 June 2022 and 2021:

| | For the six months ended 30 June | | | |
|--------------|----------------------------------|---------------------|-----------------------|---------------------|
| | 2022 | | 2021 | |
| | <i>HKD'000</i> | % | <i>HKD'000</i> | % |
| | (unaudited) | | (unaudited) | |
| The PRC | — | — | 446,561 | 89.8 |
| Asia Pacific | 52,428 | 100.0 | 50,502 | 10.2 |
| Europe | — | — | 10 | (Note) |
| Total | <u>52,428</u> | <u>100.0</u> | <u>497,073</u> | <u>100.0</u> |

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

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 reporting periods indicated:

| | For the six months ended 30 June | | | |
|-----------------------------------|----------------------------------|---------------------|----------------------|---------------------|
| | 2022 | | 2021 | |
| | <i>HKD'000</i> | % | <i>HKD'000</i> | % |
| | (unaudited) | | (unaudited) | |
| Staff costs and benefits | 260 | 1.8 | 4,569 | 4.7 |
| Amortisation of intangible assets | — | — | 40,461 | 41.2 |
| Self-operated channel costs | 6,705 | 46.2 | 13,008 | 13.2 |
| Licensed distribution costs | 7,559 | 52.0 | 20,921 | 21.3 |
| Others | — | — | 19,263 | 19.6 |
| Total | <u>14,524</u> | <u>100.0</u> | <u>98,222</u> | <u>100.0</u> |

The decrease in direct costs for the six months ended 30 June 2022 was due to the decrease in revenue during the reporting period.

Gross profit and gross profit margin

Our gross profit for the six months ended 30 June 2022 amounted to approximately HKD37.9 million, representing a decrease of approximately HKD361.0 million as compared to approximately HKD398.9 million for the six months ended 30 June 2021. Our gross profit margin for the six months ended 30 June 2022 was approximately 72.3% as compared to approximately 80.2% for the six months ended 30 June 2021. The decrease in our gross profit was mainly due to substantial decrease in revenue during the reporting period of which a higher gross profit margin was contributed by the subsidiaries of the PRC.

Other income

Our other income mainly consisted of interest income of bank deposits, exchange gain and other gains. For the six months ended 30 June 2022, our other income was approximately HKD29.3 million, compared with approximately HKD13.1 million for the same period in 2021.

Research and development costs

For the six months ended 30 June 2022, the Group did not have any research and development costs as compared to approximately HKD5.7 million for the corresponding period of 2021. The decrease was mainly because of no projects were under research phases in 2022.

Distribution costs

Our distribution costs for the six months ended 30 June 2022 amounted to approximately HKD24.8 million, represented a decrease of approximately HKD14.3 million as compared to approximately HKD39.1 million for the same period in 2021. The decrease was mainly due to the deconsolidation of the subsidiaries in the PRC on 4 December 2021.

Administrative expenses

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

The Group's administrative expenses for the six months ended 30 June 2022 amounted to approximately HKD11.4 million, representing a decrease of approximately 59.0% as compared to approximately HKD27.8 million for the six months ended 30 June 2021. The Group's administrative expenses decreased in 2022, which was mainly attributable to the deconsolidation of the subsidiaries in the PRC on 4 December 2021.

Income tax expense

Our income tax expense for the six months ended 30 June 2022 amounted to approximately HKD2.3 million while we recorded approximately HKD54.7 million for the six months ended 30 June 2021. The decrease in our income tax expense was mainly attributable to the decrease in revenue and profit.

Profit for the period

Given the aforesaid reasons, profit attributable to owners of the Company decreased by approximately 92.5% from approximately HKD271.7 million for the six months ended 30 June 2021 to approximately HKD20.4 million for the six months ended 30 June 2022.

LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 June 2022, 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 six months ended 30 June 2022, the Group deposited its capital with commercial banks in Hong Kong, Thailand and Singapore and did not engage in any investments with high risks or speculative derivative instruments.

CASH AND CASH EQUIVALENTS

As at 30 June 2022, our cash and cash equivalents amounted to approximately HKD134.0 million, compared with approximately HKD347.8 million as at 31 December 2021, which primarily consisted of cash at bank and cash in hand and which are mainly denominated in USD (as to approximately 64.8%), THB (as to approximately 15.1%), HKD (as to approximately 8.2%) and others (as to approximately 11.9%).

CAPITAL EXPENDITURES

Our capital expenditures comprised expenditures on the purchase of furniture and office equipment and leasehold improvements. For the six months ended 30 June 2022, our total capital expenditures amounted to approximately HKD0.7 million, representing the purchase of furniture and office equipment (the six months ended 30 June 2021: approximately HKD5.0 million, representing the purchase of furniture and office equipment). We funded our capital expenditure by using our cash flow generated from our operations.

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 comprised of issued share capital and reserves.

BORROWINGS AND GEARING RATIO

As at 30 June 2022, the Group had promissory notes amounted to approximately HKD600.7 million (31 December 2021: approximately HKD618.8 million) which are interest bearing and denominated in Renminbi. Except it, we did not have any short-term or long-term borrowings.

As at 30 June 2022, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 330.1% (31 December 2021: approximately 214.7%).

CHARGE ON GROUP ASSETS

As at 30 June 2022, no assets of the Group was pledged as a security for bank borrowings or any other financing facilities (31 December 2021: Nil).

INFORMATION ON EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had 58 employees (30 June 2021: 330), who mainly worked and were located in the PRC and Thailand. The table below sets forth the number of employees by function as at 30 June 2022 and 2021:

| Department | As at 30 June | | | |
|-----------------------------------|--|---------------------------------|--|---------------------------------|
| | 2022 <i>Number of employees</i> | <i>% of total employees</i> | 2021 <i>Number of employees</i> | <i>% of total employees</i> |
| Management | 12 | 21% | 13 | 4% |
| Project Development | 13 | 22% | 197 | 60% |
| Game design | 4 | 7% | 39 | 12% |
| Programming | 4 | 7% | 113 | 34% |
| Art | 5 | 8% | 45 | 14% |
| Project Support | 25 | 43% | 92 | 28% |
| Marketing | 4 | 7% | 36 | 11% |
| Licensing and operator support | 17 | 29% | 43 | 13% |
| Information technology | 4 | 7% | 13 | 4% |
| Finance and administration | 8 | 14% | 28 | 8% |
| Total | 58 | 100% | 330 | 100% |

The total remuneration of the employees of the Company was approximately HKD4.6 million for the six months ended 30 June 2022 (same period in 2021: approximately HKD23.7 million).

The Remuneration Committee will regularly review and recommend to the Board from time to time on the remuneration and compensation of the Directors and senior management of the Group.

The Group offers competitive remuneration package commensurate 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 elsewhere in the Group. The staff remuneration is reviewed regularly.

The Directors believe that maintaining a stable and motivated employee force is critical to the success of the Group's business. As a fast growing company, the Company 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 DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no significant investments in or material acquisitions and disposals of subsidiaries and associated companies by the Company.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as those disclosed in this announcement, there was no plan authorised by the Board for material investments or additions of capital assets at the date of this announcement.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liabilities (31 December 2021: Nil).

FOREIGN EXCHANGE RISKS

The functional currency of the Group is HKD and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD, THB and SGD. All of the revenue are denominated in currencies other than the functional currency of the operating units making the sales for the six months ended 30 June 2022 and 2021. Therefore, foreign exchange risks primarily arose from recognised assets in the Group when receiving or planning to receive foreign currencies from overseas cooperated counter parties.

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 Shares of the Company was listed on GEM of the Stock Exchange on 18 February 2016, and the net proceeds from the placing (the “**Placing**”) was approximately HKD28.9 million.

Listing of the Shares has been transferred to the Main Board from GEM on 27 June 2019 without further issuance of Shares.

As of 30 June 2022, the Group has spent approximately HKD27.8 million, in aggregate, of the proceeds from the Placing (approximately HKD7.2 million on development of new games on mobile devices platform, approximately HKD7.2 million on development of new browser games, approximately HKD2.9 million on the continual optimisation of our existing games on various platforms, approximately HKD2.9 million on enhancing our game development capabilities, approximately HKD3.6 million on the acquisition/investment of game developers and related companies, approximately HKD2.5 million on the acquisition/purchase of the adaption rights of source materials and approximately HKD1.5 million for working capital and other general corporate uses). The Group continues to seek opportunities to obtain/acquire the adaptation rights of appropriate source materials.

As of 30 June 2022, the Company's use of proceeds from the Placing is set out as follows:

| | Original allocation <i>HKD million</i> | Original allocation <i>percentage</i> | 30 June 2022 Amount used <i>HKD million</i> | 30 June 2022 Amount used <i>percentage</i> | 30 June 2022 Amount unused <i>HKD million</i> | 30 June 2022 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 adaption rights of appropriate source materials | 3.6 | 12.5% | 2.5 | 8.7% | 1.1 | 3.8% |
| Acquiring of/investment in game developers and related companies | 3.6 | 12.5% | 3.6 | 12.5% | — | — |
| Enhancement and diversification of our game development capabilities | 2.9 | 10.0% | 2.9 | 10.0% | — | — |
| Working capital and other general corporate purposes | 1.5 | 5.0% | 1.5 | 5.0% | — | — |
| Total | <u>28.9</u> | <u>100.0%</u> | <u>27.8</u> | <u>96.2%</u> | <u>1.1</u> | <u>3.8%</u> |

EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to owners of the Company of approximately HKD20.4 million or earnings per share of approximately 0.53 Hong Kong cents for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HKD271.7 million or earnings per share of approximately 7.08 Hong Kong cents) and the weighted average number of 3,840,000,000 ordinary shares (six months ended 30 June 2021: 3,840,000,000 ordinary shares) in issue. The weighted average number of ordinary share used in the calculation of earnings per share for the six months ended 30 June 2021 has been adjusted to reflect the share subdivisions which have been completed on 4 May 2021.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the six months ended 30 June 2022 and 2021.

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Corporate Governance Practices

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

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

Save as disclosed below, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2022.

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

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

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 six months ended 30 June 2022.

Audit Committee

We established the Audit Committee on 24 January 2016. The chairman of the Audit Committee is Mr. Tam Chik Ngai Ambrose, an 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 unaudited financial statements for the six months ended 30 June 2022 have been reviewed by the Audit Committee. The Audit Committee is of the view that the preparation of the Group's unaudited financial statements for the six months ended 30 June 2022 complied with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

CHANGE IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Change in Directors, supervisors and senior management during the Reporting Period

During the Reporting Period, there was no change in the Directors, supervisors and senior management of the Company.

Change in Directors, supervisors and senior management subsequent to the Reporting Period

With effect from 11 December 2022, (1) Mr. Wei Dong has tendered his resignation as a joint company secretary of the Company and the chief financial officer of the Company due to his personal health reasons; and (2) Ms. Li Zijuan has been appointed as a joint company secretary of the Company.

With effect from 30 March 2023, Mr. Tam Chik Ngai Ambrose and Ms. Chow Woon San Shirley has been appointed as an independent non-executive Director.

With effect from 31 March 2023, (1) Mr. Gao Bo has been appointed as an executive Director and (2) Mr. Zhou Zhiwei has been appointed as the chief executive officer of the Company and an executive Director.

With effect from 12 April 2023, Mr. Lok Tze Bong has been appointed as an independent non-executive Director. (1) Mr. Zhou Kun has tendered his resignation as an executive Director of the Company; (2) Mr. Yang Zhen has tendered his resignation as an independent non-executive Director, the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee of the Company as each of them would like to devote more time to his personal engagement. Following the resignation of Mr. Yang Zhen, (1) Mr. Tam Chik Ngai Ambrose has been appointed as the chairman of the remuneration committee and a member of the audit committee of the Company; and (2) Ms. Chow Woon San Shirley has been appointed as a member of the audit committee and the nomination committee of the Company.

With effect from 30 May 2023, (1) Mr. Zhang Yan has tendered his resignation as a non-executive Director, the Chairman of the Board and the chairman of the nomination committee of the Company; (2) Ms. Yang Kan has tendered her resignation as a non-executive Director of the Company; (3) Mr. Chan King Fai has tendered his resignation as an independent non-executive Director, the chairman of the audit committee and a member of the remuneration committee of the Company; and (4) Ms. Zhuang Renyan has tendered her resignation as an independent non-executive Director and a member of each of the audit committee, remuneration committee and nomination committee of the Company, as each of them would like to devote more time to his/her personal engagement. Following their resignations, (1) Mr. Tam Chik Ngai Ambrose has been appointed as the chairman of the audit committee and a member of the nomination committee of the Company; (2) Ms. Chow Woon San Shirley has been appointed as the chairman of the nomination committee and a member of the remuneration committee of the Company; and (3) Mr. Lok Tze Bong has been appointed as a member of each of the audit committee, remuneration committee and nomination committee of the Company.

With effect from 5 June 2023, Mr. Gao Bo has been appointed as an authorized representative of the Company under Rule 3.05 of the Listing Rules.

With effect from 16 June 2023, Ms. Wong Yan has been appointed as an executive Director.

PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM 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 interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be despatched to the shareholders and published on the above websites in due course.

CONTINUED SUSPENSION OF TRADING

As disclosed in the announcement on quarterly update on resumption dated 30 June 2023, the Company and its professional advisers are in the progress of devising a resumption plan with actions that it intends to take to remedy the issues causing its trading suspension and to fulfill the Resumption Guidance. Trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 1 April 2022 and will remain suspended until further notice.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, Thursday, 27 July 2023

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