



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

2022
Annual Report



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DEFINITION

“ARPPU”	average revenue per paying user, calculated by dividing the monthly average royalties from the net sale of credits for the in-game tokens during a certain period by the average MPU during the same period
“Articles of Associations”	the articles of association of the Company conditionally adopted on 24 January 2016 and as amended, supplemented and otherwise modified from time to time
“audit committee”	the audit committee under the Board
“Board”	the board of directors of the Company
“browser games”	online games that can be played within a web browser which does not require active installation of client software
“commercial launch” or “commercialisation”	a game is considered commercially launched once (i) the game has been paid for sales of in-game tokens by the designated third party payment channels, and (ii) the open beta testing stage of the game has been concluded
“Company”	Fire Rock Holdings Limited (火岩控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board (Stock code: 1909)
“Director(s)”	the director(s) of the Company
“EUR”	the lawful currency of the Euro Zone
“Fire Rock International”	Fire Rock International Limited (火岩國際有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“free-to-play”	a model used in the gaming industry, under which game players can play games for free, but may need to pay for in-game tokens to enhance their gaming experience
“GEM”	GEM of the Stock Exchange
“Group” or “we”	the Company and where the context otherwise requires, all of its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of the Shares of the Company on GEM
“Main Board”	the Main Board of the Stock Exchange
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time



DEFINITION

“mobile games”	online games that are downloaded to and played on mobile devices including smartphones and tablets
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in appendix 10 of the Main Board Listing Rules
“monthly paying users” or “MPU”	monthly paying users, which is the number of paying players in the relevant calendar month. Average MPU for a particular period is the average of the MPU of each calendar month during that period
“nomination committee”	the nomination committee under the Board
“paying player”	players who obtain in-game tokens with credits of licensed operators
“Placing”	the conditional placing of Shares of the Company in February 2016
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this report, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“premium features”	in-game features and services which enhance the in-game experience of game players, for example, enabling social interaction of their game characters
“Prospectus”	the prospectus being issued on 29 January 2016 in connection with the Placing
“remuneration committee”	the remuneration committee under the Board
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“SGD”	Singapore dollars, the lawful currency of Singapore
“Share(s)”	ordinary share(s) with a nominal value of one twelfth Hong Kong cent each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Fire Element”	Shenzhen Fire Element Network Technology Company Limited (深圳市火元素網絡技術有限公司), a company incorporated in the PRC with limited liability
“Shenzhen Viking”	Shenzhen Viking Network Technology Co., Limited (深圳維京人網絡科技有限公司), a company incorporated in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



DEFINITION

“Tak Shing International”	Tak Shing International Holdings Limited (德成國際控股有限公司), a company incorporated in the British Virgin Islands
“THB”	Thai Baht, the lawful currency of Thailand
“USA”	the United States of America
“USD”	United States dollars, the lawful currency of the United States
“virtual items”	virtual items which enhance players’ gaming experience, by, for example, enhancing the powers, abilities or attractiveness
“%”	per cent

In this report, the terms “associate”, “close associate”, “connected”, “connected person”, “core connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings ascribed thereto under the Main Board Listing Rules, unless the context otherwise requires.

COMPANY PROFILE

EXECUTIVE DIRECTORS

Mr. ZHOU Zhiwei¹ (Chief Executive Officer)
Mr. GAO Bo²
Mr. CHEN Di
Ms. WONG Yan³
Mr. ZHOU Kun⁴

NON-EXECUTIVE DIRECTORS

Mr. ZHANG Yan⁵
Ms. YANG Kan⁶

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TAM Chik Ngai Ambrose⁷
Ms. CHOW Woon San Shirley⁸
Mr. LOK Tze Bong⁹
Mr. CHAN King Fai¹⁰
Mr. YANG Zhen¹¹
Ms. ZHUANG Renyan¹²

Notes:

1. Mr. Zhou Zhiwei was appointed as an executive Director and the Chief Executive Officer on 31 March 2023
2. Mr. Gao Bo was appointed as an executive Director on 31 March 2023
3. Ms. Wong Yan was appointed as an executive Director on 16 June 2023
4. Mr. Zhou Kun resigned as an executive Director on 12 April 2023
5. Mr. Zhang Yan resigned as a non-executive Director on 30 May 2023
6. Ms. Yang Kan resigned as a non-executive Director on 30 May 2023
7. Mr. Tam Chik Ngai Ambrose was appointed as an independent non-executive Director on 30 March 2023
8. Ms. Chow Woon San Shirley was appointed as an independent non-executive Director on 30 March 2023
9. Mr. Lok Tze Bong was appointed as an independent non-executive Director on 12 April 2023
10. Mr. Chan King Fai resigned as an independent non-executive Director on 30 May 2023
11. Mr. Yang Zhen resigned as an independent non-executive Director on 12 April 2023
12. Ms. Zhuang Renyan was appointed as an independent non-executive Director on 19 March 2021, and resigned as an independent non-executive Director on 30 May 2023

COMPANY PROFILE

AUDIT COMMITTEE

Mr. TAM Chik Ngai Ambrose¹ (Chairman)
Ms. CHOW Woon San Shirley²
Mr. LOK Tze Bong³
Mr. CHAN King Fai⁴
Mr. YANG Zhen⁵
Ms. ZHUANG Renyan⁶

NOMINATION COMMITTEE

Ms. CHOW Woon San Shirley² (Chairman)
Mr. TAM Chik Ngai Ambrose¹
Mr. LOK Tze Bong³
Mr. ZHANG Yan⁷
Mr. YANG Zhen⁵
Ms. ZHUANG Renyan⁶

REMUNERATION COMMITTEE

Mr. TAM Chik Ngai Ambrose¹ (Chairman)
Ms. CHOW Woon San Shirley²
Mr. LOK Tze Bong³
Mr. CHAN King Fai⁴
Mr. YANG Zhen⁵
Ms. ZHUANG Renyan⁶

Notes:

1. Mr. Tam Chik Ngai Ambrose was appointed as the chairman of the remuneration committee and a member of the audit committee on 12 April 2023; and was appointed as the chairman of the audit committee and a member of the nomination committee on 30 May 2023
2. Ms. Chow Woon San Shirley was appointed as a member of the audit committee and a member of the nomination committee on 12 April 2023; and was appointed as the chairman of the nomination committee and a member of the remuneration committee on 30 May 2023
3. Mr. Lok Tze Bong was appointed as a member of each of the audit committee, the remuneration committee and the nomination committee on 30 May 2023
4. Mr. Chan King Fai resigned as the chairman of the audit committee and a member of the remuneration committee on 30 May 2023
5. Mr. Yang Zhen resigned as the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee on 12 April 2023
6. Ms. Zhuang Renyan was appointed as a member of each of the audit committee, the remuneration committee and the nomination committee on 19 March 2021, and resigned as a member of each of the audit committee, the remuneration committee and the nomination committee on 30 May 2023
7. Mr. Zhang Yan resigned as the chairman of the nomination committee on 30 May 2023

JOINT COMPANY SECRETARIES

Mr. CHU Hon Leung
Ms. LI Zijuan (appointed on 11 December 2022)
Mr. WEI Dong (resigned on 11 December 2022)

AUTHORISED REPRESENTATIVES

Mr. CHU Hon Leung
Mr. Gao Bo (appointed on 5 June 2023)

REGISTERED OFFICE

Windward 3 Regatta Office Park PO Box 1350
Grand Cayman KY1-1108 Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

20 Science Park Road,
#02-25 Teletech Park,
Singapore 117674

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2201-2203, 22/F
World-Wide House
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.,
Hong Kong Branch

HONG KONG LEGAL ADVISER

Li & Partners

AUDITOR

Crowe (HK) CPA Limited
Certified Public Accountants

STOCK CODE

1909

COMPANY WEBSITE

www.firerock.hk

FINANCIAL HIGHLIGHTS

RESULTS

	2022 HKD'000	For the year ended 31 December			
		2021 HKD'000	2020 HKD'000 (restated)	2019 HKD'000 (restated)	2018 HKD'000 (restated)
Revenue	115,063	1,035,215	586,100	345,420	189,860
Direct costs	(38,470)	(168,134)	(46,014)	(22,474)	(19,551)
Gross profit	76,593	867,081	540,086	322,956	170,309
Profit/(loss) for the year	35,487	(1,211,457)	388,091	237,266	106,104

ASSETS AND LIABILITIES

	2022 HKD'000	As at 31 December			
		2021 HKD'000	2020 HKD'000 (restated)	2019 HKD'000 (restated)	2018 HKD'000 (restated)
Non-current assets	57,956	38,694	63,491	38,525	13,194
Current assets	131,756	358,595	844,416	440,596	230,210
Total assets	189,712	397,289	907,907	479,121	243,404
Non-current liabilities	172,240	368,695	43,073	29,104	10,233
Current liabilities	438,726	484,233	47,023	21,240	13,862
Total liabilities	610,966	852,928	90,096	50,344	24,095
Total (deficit)/equity	(421,254)	(455,639)	817,811	428,777	219,309

MAJOR FINANCIAL RATIOS

	2022	For the year ended 31 December			
		2021	2020	2019	2018
Return on equity	N/A	N/A	64.3%	72.5%	58.2%
Return on total assets	12.1%	N/A	57.8%	65.0%	52.4%
Current ratio (times)	0.3	0.7	18.0	20.7	16.6

REVENUE HIGHLIGHTS

	2022		2021		2020		2019		2018	
	HKD'000	%	HKD'000	%	HKD'000	%	HKD'000	%	HKD'000	%
The PRC	—	—	920,252	88.9	511,616	87.3	329,370	95.4	188,258	99.1
Asia Pacific	115,063	100.0	114,963	11.1	73,613	12.6	15,329	4.4	782	0.4
Europe	—	—	—	—	871	0.1	705	0.2	820	0.5
North America	—	—	—	—	—	—	26	0.0	—	—
	115,063	100.0	1,035,215	100.0	586,100	100.0	345,430	100.0	189,860	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Overview

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

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

Revenue

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

For the year ended 31 December 2022, the Group's revenue was approximately HKD115.1 million, representing a decrease of approximately HKD920.1 million from approximately HKD1,035.2 million for the year ended 31 December 2021. The decrease was primarily due to the deconsolidation of the subsidiaries in the PRC on 4 December 2021, which contributed a significant portion of revenue of the Group.

Revenue by geographical markets

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

	For the year ended 31 December			
	2022		2021	
	HKD'000	%	HKD'000	%
The PRC	—	—	920,252	88.9
Asia Pacific	115,063	100.0	114,963	11.1
Total	115,063	100.0	1,035,215	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Direct costs

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

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

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

Gross profit and gross profit margin

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

Other income

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

Research costs

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

Distribution costs

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



MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

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

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

Income tax expense

Our income tax expense for the year ended 31 December 2022 amounted to approximately HKD8.7 million (Year ended 31 December 2021: approximately HKD98.0 million). The decrease in our income tax expense was mainly attributable to the deconsolidation of the subsidiaries in the PRC on 4 December 2021.

Profit/(loss) for the year

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

LIQUIDITY AND FINANCIAL RESOURCES

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

Treasury policy

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

Cash and cash equivalents

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

Capital expenditures

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

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitment

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

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

CAPITAL STRUCTURE

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

BORROWING AND GEARING RATIO

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

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

CHARGE ON GROUP ASSETS

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

EVENTS AFTER THE REPORTING PERIOD

As at 31 December 2022, the Group had the following 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).

MANAGEMENT DISCUSSION AND ANALYSIS

INFORMATION ON EMPLOYEES AND REMUNERATION POLICY

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE RISKS

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

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

EARNINGS/(LOSS) PER SHARE

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

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

RISK FACTORS FACED BY THE COMPANY AND RISK MITIGATION MEASURES

The Group 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 or operating by the Group 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 Note 37 "Financial risk management" to the consolidated financial statements in this 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.



MANAGEMENT DISCUSSION AND ANALYSIS

(i) Risks relating to our business

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

(ii) Risks relating to our industry

As a game developer, publisher and operator, 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 market where we operate. Any administrative changes in government regulatory authorities may also affect market conditions, which in turn may affect our results of operations.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

RELATIONSHIP WITH STAKEHOLDERS

We value stakeholders' concerns and opinions on our business performance and progress, and strive to maintain effective communication with our stakeholders, including our Shareholders, employees, customers, suppliers, business partners, users, media and the public through a range of communication channels, such as our official website and emails to maintain a close and harmonious relationship with them. The details are set out in the section headed "Environmental, Social and Governance Report".

ANNUAL GENERAL MEETING

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

QUALIFIED OPINION

The Company's auditor (the "Auditor") expressed a qualified opinion in the independent auditors' report on the consolidated financial statements of the Group for the year ended 31 December 2022 (the "Independent Auditors' Report"). As stated in the paragraph headed "BASIS FOR QUALIFIED OPINION" in the Independent Auditors' Report, the basis for the Auditor to express a qualified opinion was i) entire equity interest in Shenzhen Fire Element Network Technology Company Limited (the "Shenzhen Fire Element") and Shenzhen Tak Shing Technology Limited (the "Shenzhen Tak Shing") and ii) effective control over Shenzhen Viking Network Technology Co., Limited (the "Shenzhen Viking") through contractual agreements (Shenzhen Fire Element, Shenzhen Tak Shing and Shenzhen Viking collectively referred as to the "PRC Major Subsidiaries"), the Group no longer had control (i.e. the ability to direct the operating and financing 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. As a result, the PRC Major Subsidiaries was substantially ceased since 4 December 2021.

The Directors and the Audit Committee were of the view that the deconsolidation of the PRC Major Subsidiaries only affected the comparative figures in relation to the PRC Major Subsidiaries for the year ended 31 December 2022 and will not affect the opening balance on the consolidated financial statements of the Company for the year ending 31 December 2023.

The Board and the Audit Committee agreed with the views of the management and the Auditor regarding the loss of control over the PRC Major Subsidiaries and insufficient appropriate evidence provided to the Auditor regarding the deposits paid for acquiring certain shares in an entity at 31 December 2021. There is no disagreement by the Board, the management nor the Audit Committee with the position taken by the Auditor regarding the qualified opinion.



CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Group for the year ended 31 December 2022.

INTRODUCTION

We are committed to maintain high level of corporate governance as the Board recognises that sound and effective corporate governance is the key element to success. We have adopted a number of measures to protect interests of the Shareholders and other stakeholders.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirms that the Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “Code”) set out in Appendix 14 of the Main Board Listing Rules. In the opinion of the Directors, save for the deviation from Code Provision D.3.3(e)(i) which is further elaborated below, the Company has complied with the code provisions set out in the relevant codes throughout the year ended 31 December 2022. Details of such deviation are set out below.

FAILURE TO COMPLY WITH THE MAIN BOARD LISTING RULES

The Company failed to comply with the following financial reporting provisions under the Listing Rules in due course: (i) announce the interim results for the six months ended 30 June 2022; (ii) issue the interim report for the six months ended 30 June 2022; (iii) announce the annual results for the year ended 31 December 2022; and (iv) issue the annual report for the year ended 31 December 2022. Such delays constituted the violation of Rule 13.46(2)(a), Rule 13.49(1), Rule 13.48(1) and Rules 13.49(6) of the Listing Rules. The Company failed to hold the annual general meeting for the year ended 31 December 2021 and 2022 within the time prescribed by the Listing Rules and the Articles of Associations.

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

BOARD OF DIRECTORS

The Board is responsible for coordinating and supervising the Group and identifying its deviations so as to achieve the success of the Group. The Board has established board committees, and delegated their respective duties in accordance with their terms of references to board committees. Details of the respective committees’ terms of reference are available at the Stock Exchange’s and the Company’s websites. All Directors have carried out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

CORPORATE GOVERNANCE REPORT

The Board reserves discretion to decide on all major matters relating to policy matters, strategies and budgets, internal control and risk management, discloseable transactions and connected transactions, nomination of Directors and company secretary (or joint company secretaries) and other material financial and operational matters. All Directors contributed precious business experience, knowledge and professional skills to keep the Company functioning with high efficiency. All Directors can obtain comprehensive relevant materials and receive from the company secretary (or joint company secretaries) advice and services to ensure the Board procedures and all applicable laws, rules and regulations are followed.

The senior management has been delegated with the responsibility for the day-to-day management, administration and operation of the Group, the authorities delegated to managements are being reviewed regularly. The senior management has to be authorised by the Board before entering into any material transactions.

The Board has reviewed and discussed the corporate governance policy of the Group, and was satisfied with the performance of the corporate governance policy.

COMPOSITION

For the year ended 31 December 2022, the Board consisted of seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. The Directors are:

Executive Directors

Mr. ZHOU Kun (resigned on 12 April 2023)
Mr. CHEN Di

Non-executive Directors

Mr. ZHANG Yan (Chairman) (resigned on 30 May 2023)
Ms. YANG Kan (resigned on 30 May 2023)

Independent non-executive Directors

Mr. CHAN King Fai (resigned on 30 May 2023)
Mr. YANG Zhen (resigned on 12 April 2023)
Ms. ZHUANG Renyan (resigned on 30 May 2023)

The list of Directors (by category) is disclosed in all corporate communications issued by the Company pursuant to the Main Board Listing Rules from time to time. Independent non-executive Directors are also listed out in all corporate communications issued by the Company pursuant to the Main Board Listing Rules. The Company should maintain on its website and on the Stock Exchange's website an updated list of Directors identifying their role and function and whether they are independent non-executive Directors.

Save as disclosed in the Prospectus and in this annual report, as far as the Company has knowledge, there is no relationship (including financial, business, family, or other material relationship(s)) among the Board members.

For the year ended 31 December 2022, the Board at all times met the requirements of the Main Board Listing Rules relating to the appointment of at least three independent non-executive Directors, accounting for at least one third of the Board, with at least one independent non-executive Director possessing the appropriate professional qualifications, accounting or related financial management expertise.



CORPORATE GOVERNANCE REPORT

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. According to the guidelines set out in the Rule 3.13 of the Main Board Listing Rules, the Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence. The Company considers that all independent non-executive Directors are independent by reference to the provisions on independence set out in the Main Board Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are stated in the Company's Articles of Association. The nomination committee is responsible for reviewing the Board composition, considering and formulating the relevant procedures for nomination and appointment of Directors, and monitoring the appointment and succession planning of Directors, and assessing the independence of the independent non-executive Directors.

Each of the executive Directors has entered into service contract with the Company for a term of three years, which is subject to termination by either party giving not less than three months' written notice. Each of the independent non-executive Directors and non-executive Director has signed a letter of appointment with the Company for a term of three years, and is subject to termination by either party giving not less than three months' written notice. Such appointments are subject to retirement by rotation provisions in the Articles of Association.

The Company had re-elected, appointed and re-designated certain Directors at the annual general meeting on 12 May 2021.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. In accordance with the Articles of Association, all Directors of the Company is subject to retirement by rotation at least once every three years, new Directors appointed by the Board as additional Directors and to fill casual vacancies are subject to election or re-election at the first general meeting/annual general meeting.

DIRECTORS' TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT

Each of the Directors should keep abreast of the responsibilities as a Director, and of the conduct, business activities and developments of the Company.

Directors are aware of the code provision C.1.4 of the Code, regarding continuing professional development programme for directors. For the year ended 31 December 2022, all Directors participated in the training regarding director responsibilities and duties by the Company's legal advisers in relation to the Main Board Listing Rules. Such programmes were related to corporate governance, listed company and directors' continuing obligations.

CORPORATE GOVERNANCE REPORT

A summary of the training received by the Directors for the year ended 31 December 2022 is set out below:

	Corporate governance	Listed company and directors' continuing obligations
Executive Directors		
Mr. Zhou Kun (resigned on 12 April 2023)	✓	✓
Mr. Chen Di (re-designated from an independent non-executive Director to an executive Director on 19 March 2021)	✓	✓
Mr. ZHOU Zhiwei (Chief Executive Officer) (appointed as an executive Director and the Chief Executive Officer on 31 March 2023)	N/A	N/A
Mr. Gao Bo (appointed on 31 March 2023)	N/A	N/A
Ms. Wong Yan (appointed on 16 June 2023)	N/A	N/A
Non-executive Directors		
Mr. Zhang Yan (Chairman) (resigned on 30 May 2023)	✓	✓
Ms. Yang Kan (resigned on 30 May 2023)	✓	✓
Independent Non-executive Directors		
Mr. Chan King Fai (resigned on 30 May 2023)	✓	✓
Mr. Yang Zhen (resigned on 12 April 2023)	✓	✓
Ms. Zhuang Renyan (appointed on 19 March 2021, and resigned on 30 May 2023)	✓	✓
Mr. Tam Chik Ngai Ambrose (appointed on 30 March 2023)	N/A	N/A
Ms. Chow Woon San Shirley (appointed on 30 March 2023)	N/A	N/A
Mr. Lok Tze Bong (appointed on 12 April 2023)	N/A	N/A

DIRECTORS' LIABILITY INSURANCE

Each of our Directors was qualified and experienced to perform their duties and obligations. The Company predicts that in the foreseeable future, the risk of any events that lead to liabilities of the Directors is relatively low. Nevertheless, the Company is currently in the process of selecting appropriate Directors' liability insurance to indemnify the current Directors for their liabilities arising out of corporate activities.

BOARD MEETINGS AND SHAREHOLDERS' MEETINGS

Number of Board meetings and Directors' attendance

Pursuant to the code provision C.5.1, the Board meetings should be held at least four times a year at approximately quarterly intervals. Regular Board meetings will normally involve the active participation, either in person or through electronic means of communication, of a majority of Directors entitled to be present.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2022, the Board convened six meetings to discuss various matters of the Group, review and approve financial performance and results of operations and to consider and approve overall strategies and policies of the Group. The attendance of each individual Director at the board meeting, board committee meetings and general meeting is set out in the following table:

Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting	Extraordinary General Meeting
Executive Directors						
Mr. Zhou Kun ¹	6/6	N/A	N/A	N/A	N/A	N/A
Mr. Chen Di	6/6	N/A	N/A	N/A	N/A	N/A
Non-executive Directors						
Mr. Zhang Yan ²	6/6	N/A	N/A	1/1	N/A	N/A
Ms. Yang Kan ³	6/6	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Chan King Fai ⁴	6/6	1/1	1/1	N/A	N/A	N/A
Mr. Yang Zhen ⁵	6/6	1/1	1/1	1/1	N/A	N/A
Ms. Zhuang Renyan ⁶	6/6	1/1	1/1	1/1	N/A	N/A

Code Provision C.1.6 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Code provision F.2.2 stipulates that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

1. Mr. Zhou Kun resigned as an executive Director on 12 April 2023.
2. Mr. Zhang Yan resigned as a non-executive Director on 30 May 2023.
3. Ms. Yang Kan resigned as a non-executive Director on 30 May 2023.
4. Mr. Chan King Fai resigned as an independent non-executive Director, the chairman of the audit committee and a member of the remuneration committee on 30 May 2023.
5. Mr. Yang Zhen resigned 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 on 12 April 2023.
6. Ms. Zhuang Renyan resigned as an independent non-executive Director and a member of each of the audit committee, the remuneration committee and the nomination committee on 30 May 2023.

CORPORATE GOVERNANCE REPORT

PRACTICES AND GUIDELINES OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to the Directors in advance. The Company has arrangement to ensure that the Directors have opportunity to propose matters to be discussed into the meeting agenda.

Notices of regular Board meetings are normally served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board documents together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The chief executive officer and member of the senior management attend all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, regulatory compliance matters, corporate governance and other major aspects of the Group.

The company secretary (or the joint company secretaries) is responsible to take and keep minutes of all Board meetings and committee meetings. Minutes of Board meetings and meetings of committees should record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Articles of Associations contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest. Such matter should also be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who have no material interest in the matter should be present at the board meeting.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same person. During the year ended 31 December 2022, Mr. Zhang Yan was the chairman of the Company. Since Mr. Su Yi resigned as the Chief Executive Officer of the Company on 20 December 2021, as of 31 December 2022, the seat of the Chief Executive Officer of the Company is temporarily vacant.

Board Committees

The Board established three committees, namely, remuneration committee, audit committee and nomination committee to oversee particular aspects of the Group's affairs. Each of the three committee has its defined scope of duties and terms of reference.

The majority members of remuneration committee, audit committee and nomination committee are independent non-executive Directors.

The Board committees have sufficient resources to perform their duties, and are able to seek independent professional advice in appropriate circumstances at the Company's expense.

Remuneration Committee

The remuneration committee's terms of reference include, but not limited to:

- (a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (d) to make recommendations to the Board on the remuneration of non-executive Directors;
- (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (f) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- (h) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

For the year ended 31 December 2022, the remuneration committee consisted of Mr. Yang Zhen, Mr. Chan King Fai and Ms. Zhuang Renyan. Mr. Yang Zhen was the chairman of the remuneration committee. For the year ended 31 December 2022, the remuneration committee convened one meeting to discuss the matters set out above.

REMUNERATION OF THE MEMBERS OF THE SENIOR MANAGEMENT BY BAND

Pursuant to code provision E.1.5 of the Code, details of the annual remuneration of the senior management by band for the year ended 31 December 2022 are as follows:

Remuneration band	Number of individuals
Nil – HKD1,000,000	3
HKD1,000,001 – HKD1,500,000	—

Details of the remuneration of each Director for the year ended 31 December 2022 are set out in Note 14(a) to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

Audit Committee

We established the audit committee with written terms of reference in compliance with the requirements of the Main Board Listing Rules and the Code. The primary responsibilities of the audit committee are to supervise our internal control, financial information disclosure and financial reporting matters, which include but are not limited to:

- i. to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- ii. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- iii. to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- iv. to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The audit committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- v. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;
- vi. in reviewing the aforementioned paragraph (e) before submission to the Board, the committee should focus particularly on:
 1. any changes in accounting policies and practices;
 2. major judgmental areas;
 3. significant adjustments resulting from audit;
 4. the going concern assumptions and any qualifications;
 5. compliance with accounting standards;
 6. compliance with the Main Board Listing Rules and legal requirements in relation to financial reporting;
- vii. in reviewing the aforementioned paragraph v and vi:
 1. members of the committee should liaise with the Board and senior management and the committee must meet, at least twice a year, with the Company's auditors; and
 2. the committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;



CORPORATE GOVERNANCE REPORT

- viii. to review the Company's financial controls, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- ix. to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal auditing and financial reporting function;
- x. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- xi. where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- xii. to review the Group's financial and accounting policies and practices;
- xiii. to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- xiv. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- xv. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- xvi. to act as the key representative body for overseeing the Company's relations with the external auditor;
- xvii. to report to the Board on the matters set out above;
- xviii. to consider and implement other matters, as defined or assigned by the Board from time to time;
- xix. to formulate and review the corporate governance policies and practices of the Company and make recommendations to the Board;
- xx. to review and monitor the training and continuous professional development of Directors and senior management;
- xxi. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- xxii. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- xxiii. to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2022, the audit committee consisted of Mr. Chan King Fai, Mr. Yang Zhen and Ms. Zhuang Renyan. The chairman of the audit committee was Mr. Chan King Fai, who holds the appropriate professional qualifications as required under Rules 3.10(2) of the Main Board Listing Rules. For the year ended 31 December 2022, the audit committee convened one meeting to discuss the matters set out above.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The nomination committee was established on 24 January 2016 with terms of references in compliance with B.3.1 of the Code. The nomination committee should perform the duties, including but not limit to:

- i. review the structure, size, composition and diversity (including the sex, age, cultural and educational background, race, professional experience, skills, knowledge and term of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- ii. formulate the policies of nominating directors, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. The committee shall consider an individual's strengths while seeking for suitable candidates and take into consideration of the composition diversity of the Board with an objective view;
- iii. assess the independence of independent non-executive Directors;
- iv. to review the Board's diversity policy in appropriate circumstances, the measurable goal set by the Board to implement the Board diversity policy, the progress in achieving such goal, as well as to disclose the review results in the Corporate Governance Report annually; and
- v. to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for Directors, in particular the chairman and the chief executive, taking into the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future.

During the year ended 31 December 2022, the nomination committee consisted of Mr. Zhang Yan, Mr. Yang Zhen and Ms. Zhuang Renyan. Mr. Zhang Yan was the chairman of the nomination committee. For the year ended 31 December 2022, the nomination committee convened one meeting to discuss the matters set out above.

Policy of Board Diversity and the Execution

When identifying suitable candidates for directorship, the nomination committee carries out the selection process by making reference to the skills, experience, background, professional knowledge, personal integrity and time commitments of the proposed candidates, and also the Company's needs and other relevant statutory requirements and regulations required for the positions. All candidates must be able to meet the standards as set forth in Rules 3.08 and 3.09 of the Main Board Listing Rules. A candidate who is to be appointed as an independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Main Board Listing Rules. Qualified candidates will then be recommended to the Board for approval.

In considering new or potential appointments to the Board, the Board, with the assistance and recommendation from the nomination committee of the Company, would review the structure, size, composition and diversity of the Board from a number of aspects, including but not limited to age, gender, geographical background, length of service, and the professional experience, skills and expertise he/she can provide.

The Company will continue to embrace gender diversity when making future Board appointments but no specific targets or timelines to further enhance gender diversity have been set as it is of the view that all aspects of diversity should be considered as a whole in the selection of suitable candidates for appointment to the Board.

Directors' Responsibilities for the Financial Reporting

The Directors are responsible for the preparation of the Group's and the Company's consolidated financial statements for the year ended 31 December 2022.

The Board is responsible to present a balanced, clear and understandable assessment in the Company's annual and interim reports, price-sensitive announcement and other financial disclosures required under the Main Board Listing Rules and other requirements from relevant regulations.

Senior management provides explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position.

INTERNAL CONTROL

The Group's internal control system primarily aims to provide a reasonable, but not absolute, assurance that assets are properly safeguarded against misappropriations, transactions are executed in accordance with the management's authorisation, and accounting records are reliable and proper for preparing financial information and are not materially misstated.

Code Provision D.2.1 of the Corporate Governance Code states that the Board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls. No representation is made by the Directors as to whether the Company has complied with the Code Provisions for the year ended 31 December 2022. As disclosed in the announcement of the Company dated 25 April 2023, the Company has appointed Crowe (HK) Risk Advisory Limited as an independent internal control consultant to conduct an independent internal control review on certain aspects of the Group's operations. The Directors will continue to cooperate with the independent internal control consultant and ensure that a strict review of the effectiveness of the Group's risk management and internal control systems will be conducted at least annually.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of its obligations under the Securities and Futures Ordinance (Cap. 571) and the Listing Rules and is required, as soon as reasonably practicable after any inside information has come to its knowledge, to disclose the information to the public.

JOINT COMPANY SECRETARIES

Mr. Wei Dong and Mr. Chu Hon Leung acted as the joint company secretaries of the Company during the reporting period. The two joint company secretaries took no less than 15 hours of relevant professional training during the year.

At the same time as Mr. Wei Dong resigned, Ms. Li Zijuan was appointed as a joint company secretary with effect from 11 December 2022.

For details of Mr. Chu Hon Leung and Ms. Li Zijuan, please refer to the section headed "Directors and Senior Management" in this report.

CORPORATE GOVERNANCE REPORT

NON-COMPETITION UNDERTAKING

A deed of non-competition (the “Deed of Non-Competition”) was executed by each of the Substantial Shareholders (as defined in the Prospectus, being Mr. Zhang Yan, Sulfulon International, Mr. Wu Zhe, R&P Global, Mr. Huang Yong, Raglon International, Mr. Rao Zhenwu and Meteor Technology (as defined in the Prospectus), collectively referred to as “Covenantors”) in favour of the Company. The Covenantors had confirmed to the Company that they had provided the Group all information necessary for the enforcement of the undertakings contained in the Deed of Non-Competition and had complied with the Deed of Non-Competition for the year ended 31 December 2022.

The independent non-executive Directors have reviewed and confirmed that each of the Covenantors had complied with the Deed of Non-Competition which has been enforced by the Company in accordance with its terms, and that there was no Business Opportunity being directed by the Covenantors to the Company as provided under the Deed of Non-Competition.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the Directors’ remunerations and the five individuals with the highest emoluments are disclosed in Note 14 to the consolidated financial statements in this annual report in accordance with the provisions of the Main Board Listing Rules.

INDEPENDENT AUDITOR’S REMUNERATION

Crowe (HK) CPA Limited has been appointed as the Company’s auditor. The fees in relation to the audit services provided by Crowe (HK) CPA Limited to the Group amounted to approximately HKD2.0 million for the year ended 31 December 2022. Apart from that, there was no non-audit services provided during the year.

MATERIAL CHANGES IN CONSTITUTIONAL DOCUMENTS

On 24 January 2016, the Articles of Association was adopted with effect from the date of Listing. On 8 August 2019, the Company amended and restated the Articles of Association. Save as disclosed above, there was no change in the Articles of Association during the year.

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.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company has adopted shareholders communication policy with objective of ensuring that the Shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company. The Company believes, effective communications with Shareholders and investors is essential to facilitate the Shareholders' understanding of the business performance and strategies of the Group. The Company also acknowledges the significance of the transparency of the company information and timely disclosure of such information so as to enable Shareholders and investors to make an informed investment decision.

The Company has established a number of channels to communicate with the Shareholders as follows:

- (i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Main Board website at www1.hkexnews.hk;
- (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (iii) corporate information is made available on the Company's website, where updated information of business development and operation, finance resources, corporate governance practices and other materials are available for public inspection;
- (iv) annual and extraordinary general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management. The chairman of the Board and the chairmen of remuneration committee, audit committee, nomination committee, and in their absence, other members of these Board committees, attend general meetings to answer questions raised by Shareholders at the general meetings; and
- (v) the Hong Kong share registrar of the Company serves the Shareholders in respect of share registration, dividend payment and related matters.

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's principal place of business in Hong Kong.

Joint Company Secretary
2201-2203,
22/F, World-Wide House
Central, Hong Kong



CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHT

As one of the measures to safeguard Shareholder's interest and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. All resolutions put forward at Shareholders' meeting will be voted by poll pursuant to the Main Board Listing Rules and the poll voting results will be posted on the Hong Kong Stock Exchange's website and the Company's website after the relevant Shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of Shareholders holding not less than one-tenth of the paid up capital of the Company or by such Shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to Article of Associations. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such Article for convening an extraordinary general meeting. Shareholders may put forward proposals at general meeting of the Company by sending the same to the Company at the principal place of business of the Company in Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

The Group is pleased to present the Environmental, Social and Governance Report (the “Report”) for the year 2022 (the “Year”) to outline our sustainability strategy and to summarize our environmental, social and governance (“ESG”) performance for the Year. A content index is appended at the end of the Report for easy reference by all stakeholders. For information on the Group’s corporate governance, please refer to the section headed Corporate Governance Report.

The Group strongly emphasizes the sustainable development of its business as one of its long-term development goals. The Board has the sole responsibility to oversee, manage and monitor the Group’s environmental, social and governance issues and progress directly.

The Board regularly monitors and reviews the effectiveness of its management approach, including reviewing the Group’s ESG performance and adjusting its action plans accordingly. The effective implementation of ESG policies relies heavily on the collaboration of different departments. The Board puts significant efforts in coordinating different departments and enhancing their mutual co-operation to ensure consistent performance of ESG policies.

Reporting Principles

The Report is prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the “ESG Guide”) of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and follows the reporting principles of materiality, quantitative, balance and consistency set out therein.

Materiality	Based on the issues in the ESG Guide, we identified ESG issues that have a significant impact on the Group through stakeholder engagement and materiality assessment, and made relevant disclosures in the Report according to the priority. For details of the stakeholder engagement, please refer to the section headed “Communication with Stakeholders and Materiality Assessment”.
Quantitative	We have disclosed the standards and methodologies adopted for environmental and social key performance indicators (“KPIs”) in the Report to ensure that the data disclosed in the Report are measurable and comparable.
Balance	We confirm that the Report provides stakeholders with an unbiased picture of our overall ESG performance for the Year.
Consistency	Where feasible, the data disclosed in this report adopt statistical methods consistent with those of last year to ensure comparability with historical data.

Scope of Reporting

Unless otherwise stated, the Report covers the environmental and social performance by the principal subsidiaries of the Company, namely Firerock Capital Pte Ltd (“Firerock Capital”) in Singapore and Firerock Co., Ltd (“Firerock Co.”) in Thailand for the period from 1 January 2022 to 31 December 2022 (the “Reporting Period”). The scope of reporting of the Report is consistent with the section headed Environmental, Social and Governance Report contained in the 2021 Annual Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Feedback

We value the valuable opinions and suggestions of our stakeholders, and hope to improve our sustainability performance and enrich the content of future reports. If you have any enquiries or suggestions, you are welcome to contact us via email at lizj@firerock.hk.

SUSTAINABILITY STRATEGY

As a responsible corporate citizen, we are committed to balancing the interests of the environment and society while focusing on creating high-quality online entertainment for players. In addition to the implementation of various environmental protection measures, we undertake social responsibilities in a proactive manner, providing employees with a safe workplace, comprehensive remuneration packages and vocational training while actively participating in community public welfare and environmental protection activities, so that the Company can grow together with the society.

Sustainability Governance Structure

We recognize the importance of a sound sustainability governance structure in managing our ESG strategies and risks. Therefore, we have established a governance system with the Board as the core and clear responsibilities for the continuous and effective management of ESG matters. The Board, as the ultimate decision-making unit for ESG matters, has overall responsibility for the Group's ESG strategies and performance. The ESG working group, as the executive unit, is responsible for implementing and promoting the ESG management as well as the implementation of ESG strategic plans and risk management. The specific duties of each unit are as follows:

- | | |
|-------------------|--|
| Board | <ul style="list-style-type: none">◇ Establish sustainable development policies and goals and provide strategic guidance for the implementation of sustainable development◇ Evaluate ESG goals and review progress through regular assessment of ESG performance◇ Review and approve annual ESG reports◇ Oversee the Group's risk management and internal control mechanisms (including ESG risks) to ensure effective implementation of internal control measures, and incorporate ESG issues into the Group's risk management procedures |
| ESG working group | <ul style="list-style-type: none">◇ Advise the Board on sustainability strategy, work plans and goals◇ Review and implement ESG-related policies, procedures and measures◇ Identify, evaluate and effectively manage ESG-related risks and opportunities, and report to the Board on a regular basis◇ Collect ESG information and data for ESG disclosure |

ESG Risk Management

To effectively manage ESG-related risks, including environmental and social risks arising from climate change and supply chain, we have incorporated ESG risks into our current risk management procedures. Each department and the ESG working group collect internal and external data from all aspects through various channels, historical data, future forecasts, cases and information of other domestic and overseas companies in the same industry, and jointly identify and evaluate ESG risks that are significant to the Group through meetings of the departments and the risk management committee. During the Year, we also facilitated the Company to identify major ESG risks through independent third-party professional consultants and reported to the senior management for assessment, and formulated corresponding response plans, so that the Board can review the effectiveness of the Group's risk management system.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Responding to Global Sustainable Development Goals

As one of the major trends of global initiatives, the importance of sustainable development cannot be ignored. To this end, we began to respond to the United Nations' call during the Year to work together to promote sustainable development in line with the global agreed 2030 Sustainable Development Goals ("SDGs"). We have identified seven of these SDGs that are relevant to our business and ensure that our ESG development approach is aligned.

Professional talents

- Provide equal employment opportunities
- Encourage innovation, create a creative environment and promote a learning and growth workplace
- Create a healthy and comfortable office environment
- Resolutely oppose child labour and forced labour



Green environment

- Strive to reduce energy consumption and greenhouse gas emissions
- Strive to reduce water consumption and conserve water resources
- Strive to reduce the environmental impact of waste produced from our operations



Community support

- Uphold the belief of taking responsibility to repay society while developing the economy
- Be a responsible corporate citizen to actively participate in charitable activities to contribute to the society

Anti-corruption

- Operate with high ethical standards and prohibit any form of bribery or corruption



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMUNICATION WITH STAKEHOLDERS AND MATERIALITY ASSESSMENT

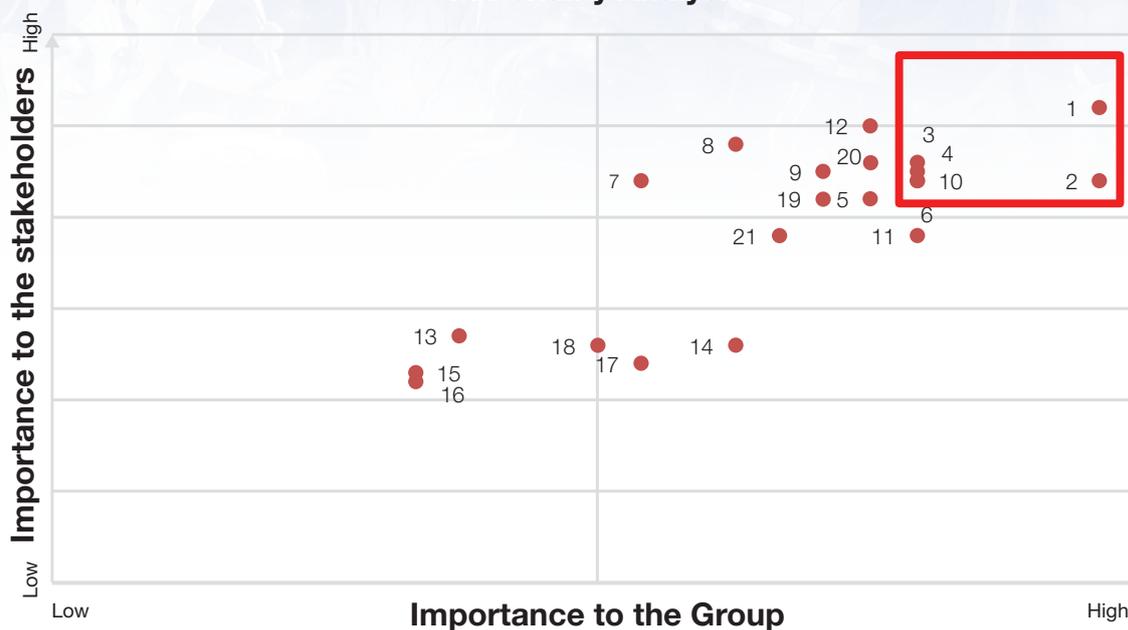
Stakeholders' opinions are important references for us to implement good ESG strategies. In order to maintain close communication with our stakeholders, we engage with them through the following diversified channels to understand their key areas of concern for our business.

Stakeholders	Key points	Communication methods
Shareholders	<ul style="list-style-type: none">• Business strategies• Investment return• Corporate image	<ul style="list-style-type: none">• General meetings• Company's official website• Annual reports and other public information
Game users	<ul style="list-style-type: none">• Product quality• User privacy	<ul style="list-style-type: none">• Online customer service• Social media interaction
Suppliers	<ul style="list-style-type: none">• Compliant operation• Product quality	<ul style="list-style-type: none">• Emails• Meetings
Employees	<ul style="list-style-type: none">• Remuneration packages• Equal opportunity and training• Safe workplace	<ul style="list-style-type: none">• Employee activities• Employee satisfaction surveys
Government and regulatory authorities	<ul style="list-style-type: none">• Compliant operation• Tax payment in accordance with the law	<ul style="list-style-type: none">• Company's website• Statutory reports
Community	<ul style="list-style-type: none">• Community development• Public welfare activities	<ul style="list-style-type: none">• Community activities• Promotional campaigns

In order to more effectively identify and determine the ESG issues that are important to us, during the preparation of the Report, we have identified 20 issues with reference to the ESG Guide, issues of concern to companies in the same industry and the business characteristics of the Group, and invited stakeholders to rate the materiality through online questionnaire. At the end, the materiality of ESG issues was prioritized based on the consolidated importance to stakeholders and business and presented in a matrix. According to the results, the five most important issues for the Year are game development capabilities, game-related health and safety, player/operator privacy protection, product responsibility and training and development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Analysis



Issues

- | | |
|---------------------------------------|--|
| 1. Game development capabilities | 11. Child labour and forced labour prevention |
| 2. Game-related health and safety | 12. Equal opportunity, diversity and anti-discrimination |
| 3. Player/operator privacy protection | 13. Gas emission management |
| 4. Product responsibility | 14. Resource management |
| 5. Player complaint handling | 15. Waste disposal |
| 6. Player satisfaction | 16. Green procurement |
| 7. Employment relationship | 17. Supplier management |
| 8. Occupational safety and health | 18. Intellectual property rights protection |
| 9. Training and development | 19. Anti-corruption |
| 10. Employee benefits | 20. Social contribution |

PREMIUM GAMES

Our Group is a game developer principally engaged in the development, publishing and operation of browser and mobile games. Since 2019, the Group has commenced self-operation by introducing its self-developed game products to overseas markets, gradually transforming into a business model of “game developer and publisher”. Our games are available in multiple language versions, including English, German, French and Thai, which allow both domestic and overseas game players to experience our distinctive game offerings. We have licensed a number of well-known game operators to operate our games in designated regions and arranged Firerock Co. to self-operate our games in Thailand. Currently, most of the Internet social platforms, such as Facebook, Apple and Google application stores, as well as the designated third-party game publishing platforms licensed by us, can play browser and mobile games developed by the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATIONAL PRACTICES

Healthy and Stable Cyberspace

During the Reporting Period, our principal business operations were located in Thailand. The Company persists in stringent compliance with laws and regulations pertaining to product responsibility, such as the Electronic Transactions Act, the Computer Crime Law and the Personal Data Protection Law of Thailand. So far as the Directors of the Company are aware, the Group was not aware of any non-compliance with the aforesaid laws and regulations pertaining to game or cyber security and health during the Reporting Period.

At the same time, Firerock Co., as a self-operated game publisher and operator, has leased cloud servers and bandwidth for online games in Thailand and Singapore to ensure that we have sufficient resources to meet the demand of players during peak seasons and provide players with stable and high-speed game experience. In addition, we have established a written system to perform quarterly recovery tests on our back-up data to ensure the availability of our back-up data.

Research and Development

Our browser and mobile game development process generally involves several key stages from game project establishment and evaluation, game development and programming to commercialization. The Group attaches great importance to game quality and player experience, and has established a special technical team to conduct repeated testing and adjustment in the game development and operation stage, and produced trial game editions. After the internal trial play for our employees, the game will be revised based on the consolidated opinions for improvement, so as to ensure that all basic functions, characters and scenes of the game are achieved and no major system errors are found after the testing, thereby ensuring the smooth operation of the game.

Game Operation and Feedback from Players

We also attach great importance to feedback from players. If any problem or defect in game programming is found, it will be reported to our research and development and testing department for timely repair. Generally, the customer service department communicates with players directly to deal with questions; for opinions on game quality or more serious complaints, the customer service personnel will contact the relevant department manager in a timely manner for follow-up, and the responsible department manager must follow up on the complaints until they are fully resolved, so as to ensure that we can continuously improve the quality of our services and games. During the Year, we did not receive any material complaints.

Player Privacy Protection

As a game company, the Group receives, transmits and stores relevant personal identity information and data generated by players in the course of its operations. Therefore, the Group believes that sufficient maintenance, storage and protection of user data and other relevant information are the key to our continuous business development, and is extremely cautious about the processing of users' personal data collected by our games. The Group strictly complies with the Personal Data Protection Act 2012 (2020 Revised Edition) and the Personal Data Protection Law of Thailand. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to data security and privacy matters. We have published and posted the Privacy Agreement in our games, and all information pertaining to registration, game roles, value top-up, game experience and in-game items accessed in licensed operators' operational platforms and game product systems are regarded as private and personal data of the game players. Regarding the aforesaid personal data, we have implemented the following measures in data management to protect players' information security, including:

- ◇ Separately authorized visits and access restrictions are in place so that only authorized staff are allowed to retrieve restricted information;
- ◇ Anti-virus software and firewall equipment are installed to block illegal external access to the user database to obtain player data;
- ◇ Data are regularly backed up and sensitive information of game players are transmitted and stored in an encrypted manner to enhance data security;
- ◇ All the collected data are separately backed up in different locations on the server to reduce the risk of losing a large amount of data at the same time;
- ◇ Authority of database system users are regularly checked to prevent unauthorized personnel from performing illegal operations.

In addition, we also require our employees to sign a Confidentiality Agreement when they join us to ensure that they understand that the personal information of users collected during the provision of services must be kept strictly confidential and must not be disclosed, tampered with, damaged, sold or illegally provided to others. For those employees who violate the specified regulations, the Group will give verbal or written warnings or take disciplinary actions, and may even terminate the employment of those who have committed serious violations or repeated misconduct. Apart from our concern for the possible leak of personal information of players, to protect the safety of virtual properties such as the roles and resources of players in their game accounts, we also allow players to deal with these properties through the standardized process for account retrieval or password retrieval.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Intellectual Property Rights Protection

The Group is committed to protecting intellectual property rights, and regards intellectual property rights as a result of innovation and intellectual labor, which is also an important cornerstone for the steady development of the Group. The Group is committed to stringent compliance with relevant laws and regulations, such as the Intellectual Property Act, the Copyright Act, the Trade Marks Rules and the Patents Rules of Singapore; the Patent Law of the People Republic of China, the Trademark Law of the People Republic of China, the Copyright Law of the People Republic of China of the PRC; and the Patent Act, the Copyright Act and the Trademark Act of Thailand. To the best knowledge of the Directors of the Company, there was no material breach of the aforesaid laws and regulations relating to intellectual property rights by the Group during the Reporting Period.

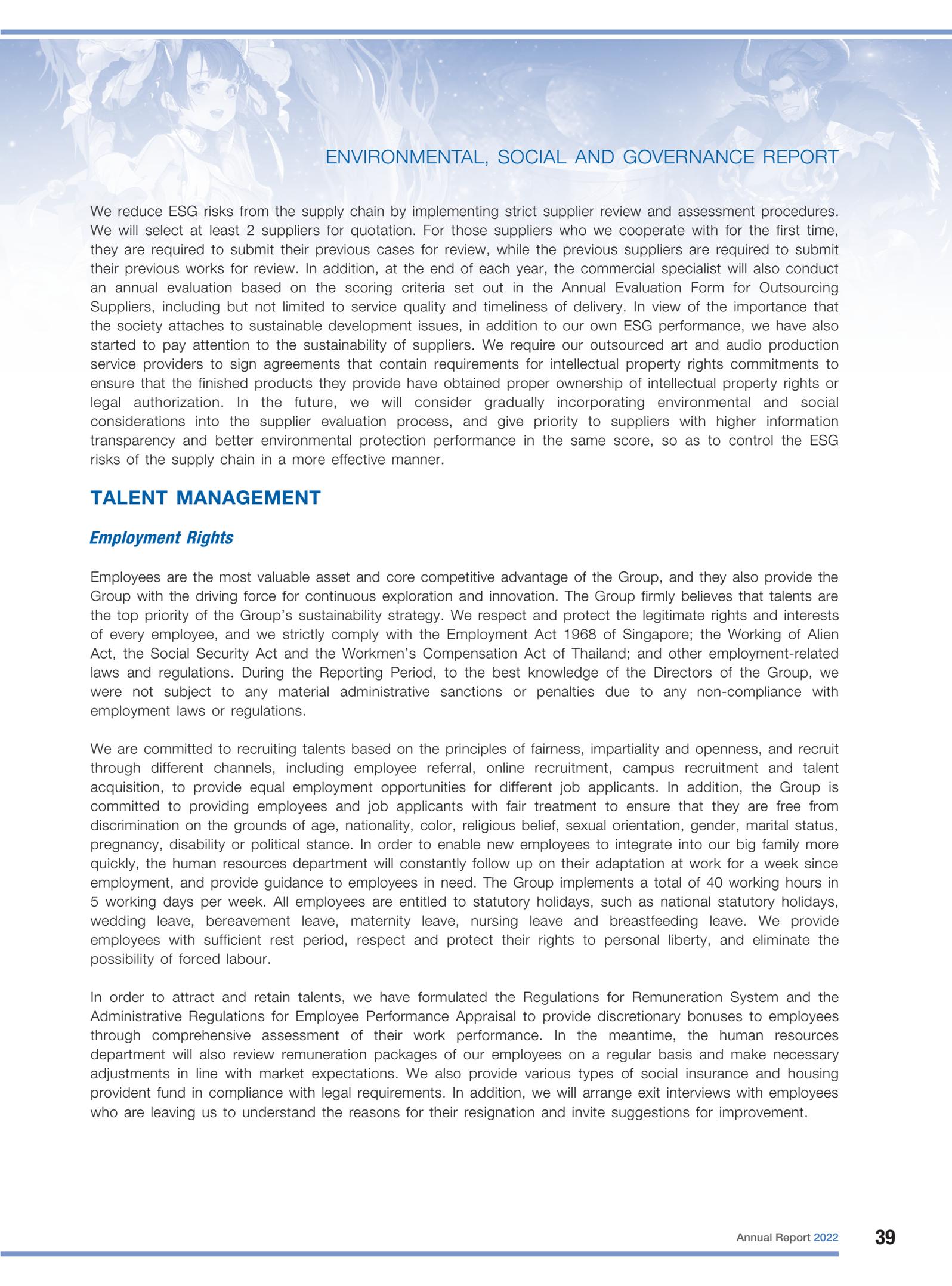
The Group has formulated the Intellectual Property Management Manual to ensure that adequate measures are taken to protect our intellectual property rights and reduce potential losses when any intellectual property rights are improperly used by third parties. The Group also has dedicated personnel responsible for the management of intellectual property rights, timely registering the Group's intellectual property rights, including but not limited to Internet domain names, trademarks and software copyrights, in the places where it operates, and safeguarding the ownership of its own intellectual property rights. In addition, we will enter into written agreements with intellectual property protection clauses with service providers and licensed operators to protect the Company's works, trade secrets and related intangible assets from unauthorized use. We will arrange dedicated personnel to conduct routine inspection and appoint legal counsels to assist in the protection of our owned intellectual property rights if any behavior of infringement of rights or compromise of the Company's interest is found. At the same time, in order to ensure that the materials are originally created by our employees, our games need to undergo the intellectual property analysis before they are released to avoid infringement of rights.

Marketing and Promotion

Firerock Co. has established its marketing department, which is responsible for the marketing of games, and strictly complied with the Consumer Protection Act of Thailand. All advertisements must be reviewed by the marketing department before they are released to ensure that the information delivered is accurate, legal and reasonable for marketing and promotion. During the Reporting Period, to the best knowledge of the Directors of the Company, the Group was not aware of any non-compliance with relevant laws and regulations relating to advertising and labeling.

Supply Chain Management

Thanks to the full support of a number of quality service providers, we are capable of providing our players with a stable and entertaining game experience. The major suppliers of our business are servers, bandwidth leasing companies, game operation service providers and online payment service providers, and subcontractors of art and audio production.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We reduce ESG risks from the supply chain by implementing strict supplier review and assessment procedures. We will select at least 2 suppliers for quotation. For those suppliers who we cooperate with for the first time, they are required to submit their previous cases for review, while the previous suppliers are required to submit their previous works for review. In addition, at the end of each year, the commercial specialist will also conduct an annual evaluation based on the scoring criteria set out in the Annual Evaluation Form for Outsourcing Suppliers, including but not limited to service quality and timeliness of delivery. In view of the importance that the society attaches to sustainable development issues, in addition to our own ESG performance, we have also started to pay attention to the sustainability of suppliers. We require our outsourced art and audio production service providers to sign agreements that contain requirements for intellectual property rights commitments to ensure that the finished products they provide have obtained proper ownership of intellectual property rights or legal authorization. In the future, we will consider gradually incorporating environmental and social considerations into the supplier evaluation process, and give priority to suppliers with higher information transparency and better environmental protection performance in the same score, so as to control the ESG risks of the supply chain in a more effective manner.

TALENT MANAGEMENT

Employment Rights

Employees are the most valuable asset and core competitive advantage of the Group, and they also provide the Group with the driving force for continuous exploration and innovation. The Group firmly believes that talents are the top priority of the Group's sustainability strategy. We respect and protect the legitimate rights and interests of every employee, and we strictly comply with the Employment Act 1968 of Singapore; the Working of Alien Act, the Social Security Act and the Workmen's Compensation Act of Thailand; and other employment-related laws and regulations. During the Reporting Period, to the best knowledge of the Directors of the Group, we were not subject to any material administrative sanctions or penalties due to any non-compliance with employment laws or regulations.

We are committed to recruiting talents based on the principles of fairness, impartiality and openness, and recruit through different channels, including employee referral, online recruitment, campus recruitment and talent acquisition, to provide equal employment opportunities for different job applicants. In addition, the Group is committed to providing employees and job applicants with fair treatment to ensure that they are free from discrimination on the grounds of age, nationality, color, religious belief, sexual orientation, gender, marital status, pregnancy, disability or political stance. In order to enable new employees to integrate into our big family more quickly, the human resources department will constantly follow up on their adaptation at work for a week since employment, and provide guidance to employees in need. The Group implements a total of 40 working hours in 5 working days per week. All employees are entitled to statutory holidays, such as national statutory holidays, wedding leave, bereavement leave, maternity leave, nursing leave and breastfeeding leave. We provide employees with sufficient rest period, respect and protect their rights to personal liberty, and eliminate the possibility of forced labour.

In order to attract and retain talents, we have formulated the Regulations for Remuneration System and the Administrative Regulations for Employee Performance Appraisal to provide discretionary bonuses to employees through comprehensive assessment of their work performance. In the meantime, the human resources department will also review remuneration packages of our employees on a regular basis and make necessary adjustments in line with market expectations. We also provide various types of social insurance and housing provident fund in compliance with legal requirements. In addition, we will arrange exit interviews with employees who are leaving us to understand the reasons for their resignation and invite suggestions for improvement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Distribution

As at 31 December 2022, the Group had 71 employees. For more employee data, please refer to the following chart:

	2022	2021
Employee data		
By employment type		
Full-time	67	37
Part-time	4	1
By gender		
Male	43	17
Female	28	21
By region		
Singapore	21	—
Thailand	46	35
Hong Kong	4	3
By age group		
21–30	44	19
31–40	20	14
41–50	3	2
51–60	4	3
Total number of employees	71	38
Employee turnover rate¹		
By gender		
Male	46%	76%
Female	164%	176%
By region		
Singapore	9%	—
Thailand	139%	142%
Hong Kong	—	—
By age group		
20 or below	77%	142%
21–30	155%	164%
31–40	33%	—
41–50	—	—
51–60	92%	131%
Overall employee turnover rate	24%	169%

¹ Employee turnover rate is calculated based on the number of current employees at the end of the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Professional Training

Talent-driven innovation and self-development are an important part of driving an enterprise to move forward. We strongly encourage innovation and foster a workplace that induces creativity and promotes growth through learning, striving to upgrade our employees and help them to achieve personal fulfillment. We encourage our employees to actively participate in training and further learning for self-enrichment and seek progress for the benefit of personal as well as corporate development. To equip our employees with better professional skills and get well prepare for the Company's future development, we organize training programs and sharing sessions according to the actual needs of different teams to help our employees equip themselves with skills and enhance their competence. Our training themes for the Year are set out as follows:

Training projects	Training targets	Training content
Induction training	New employees	Conventional training for new employees, aimed to facilitate their understanding of corporate culture and regulations.
Intellectual property management	Managers	Enhancing the awareness of intellectual property protection to proactively protect the intellectual property rights of enterprises from infringement.
Technical exchange and sharing	General technical and management personnel	Creating a good sharing platform and improving employees' skills and working motivation through exchange of Unity action technology and experience sharing of Gloang open source programming language.

Employee training data	2022	2021	Unit
Employee training analysis			
Total training hours	554	1,647	Hours
Average training hours	7.19	11.6	Hours/person
Percentage of trained employees by gender			
Male	83.50	81.80	%
Female	16.50	18.20	%
Percentage of trained employees by type of employee			
Senior management	4.00	1.80	%
Middle management	8.00	6.00	%
General and technical personnel	88.00	92.20	%
Average training hours by gender			
Male	7.39	11.12	Hours/person
Female	6.38	12.56	Hours/person
Average training hours by type of employee			
Senior management	10.8	3.40	Hours/person
Middle management	9.40	5.10	Hours/person
General and technical personnel	6.84	13.57	Hours/person

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Occupational Health and Safety

The Group provides its employees with a safe workplace in strict accordance with the Workplace Safety and Health Act 2006 of Singapore and the Occupational Health Safety and Working Environment Act of Thailand and other relevant laws and regulations. To protect the health of our employees, we arrange body check for them every year. We have been making strong efforts to create a healthy and comfortable office environment where employees are provided with ergonomic office desks and chairs together with a gym for workout and plantation are set up in the office area to mitigate radiation released from electronic equipment. Furthermore, we have engaged a professional disinfection agency to carry out regular disinfection at our offices each month to improve the quality of our office environment. In addition, we also participated in fire drills provided by property management entity to ensure that employees are well equipped with basic knowledge about fire hazards, such as the use of fire-fighting tools and escape methods, and strengthen their escape and self-rescue capabilities at the fire scene. In the past three years and up to the Reporting Period, we did not have any type of work-related injuries or work-related fatalities.



Fitness activity

Epidemic Prevention and Control

During the epidemic, the Group scaled down the weekly badminton, basketball and football activities to avoid the gathering of crowds. At the same time, to avoid the spread of the epidemic, we formulated the Epidemic Prevention and Control Proposal and Work Measures, providing work-from-home arrangements for certain employees, regular disinfection of offices, body temperature taking for all people entering or exiting the Company’s premises, distribution of face masks and sanitizing supplies to employees to reduce their risk of infection. Arrangements were also made for employees to have lunch separately to avoid cross infection.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Sharing the Festive Spirit

To show our care and regard for our employees, the Group rewards its employees with festive or birthday gratuity or gifts on the occasions of statutory festive holidays or their birthdays to convey our good wishes. In addition, prior to the outbreak of the epidemic, we used to organize dinner gatherings, game sessions and sporting activities for our employees on a regular basis to enhance their sense of belonging.



Ongoing Innovation

Apart from various skills and know-how for our work, creativity is also central to the Group's core value. In order to stimulate employees' innovative thinking, to inspire creative new ideas from the team and also to keep our employees interested in their work, we have set up the Innovative Game Planning Proposal Collection and Evaluation Reward System to encourage employees to provide creative proposals and suggestions. If excellent planning proposals are developed to become formal games, participants will receive additional bonuses as incentives.

Labour Standards

The Group strictly complies with laws and regulations relating to the prevention of child labor or forced labor, including but not limited to the Employment (Children and Young Persons) Regulations of Singapore; and the Labour Protection Act and the Labour Relations Act of Thailand. The human resources department will verify the identity documents of the applicants to ensure that the applicants have reached the legal working age. In addition, the Group has also formulated the Human Resources Operating Guide for Work, which stipulates working hours for employees so as to prohibit forced labour and also expressly prohibits acts which are illegal or harmful to the employees. In case of any employment of child or forced labour, we will take actions immediately to terminate such employment and carry out investigations. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to the prevention of child labor and forced labor.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION

Emissions and Use of Resources

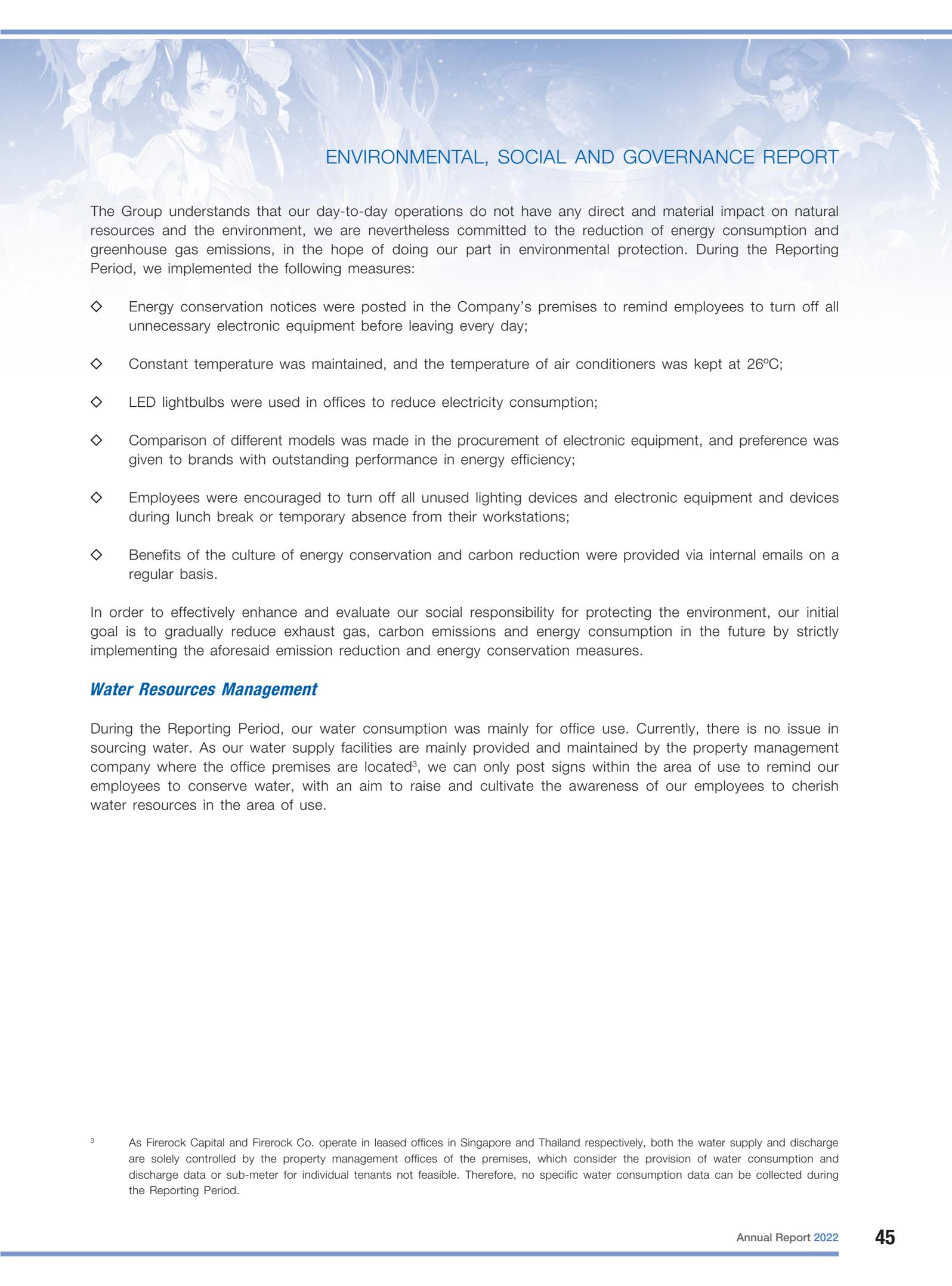
As the Group principally engages in the development of browser and mobile games, which are mainly office-based operations, its daily operations do not involve significant air emissions and discharges into water and land or generate other significant hazardous waste and packaging materials, having no significant impact on the environment and natural resources. We strictly comply with all relevant environmental laws and regulations, including the Environmental Protection and Management Act, the Environmental Public Health Act and the Energy Conservation Act 2012 of Singapore; and the Hazardous Substance Act, the Public Health Act and the Cleanliness and Orderliness Act of Thailand. During the Reporting Period, to the best knowledge of the Directors of the Company, the Group did not have any non-compliance with the aforementioned laws and regulations relating to greenhouse gas emissions and waste management and were not subject to any material administrative sanctions or penalties in this regard.

Carbon Emissions and Energy Management

During the Reporting Period, externally purchased electricity consumed by office equipment, such as electronic devices, computer rooms and lighting, represented the major source of the Group's greenhouse gas emissions. We do not involve in any direct greenhouse gas emissions (scope 1), and the data of indirect greenhouse gas emissions and electricity consumption can be referred to in the following table:

	2022	2021	Unit
Greenhouse gas emissions²			
Greenhouse gas emissions (scope 2) — electricity consumption	68.11	175.07	Tonnes of CO ₂ e
Intensity of greenhouse gas emissions (scope 2) — electricity consumption	0.16	0.07	Tonne of CO ₂ e/floor area per square metre
Energy consumption			
Total electricity consumption	120,675	304,814	Kilowatt-hours
Intensity of electricity consumption	292.15	119.72	Kilowatt-hours/floor area per square metre

² We have prepared our greenhouse gas emissions disclosures in accordance with the requirements specified in How to Prepare an ESG Report published by the Hong Kong Stock Exchange and the GHG Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). Greenhouse gas emissions data are presented in carbon dioxide equivalent. The data of scope 2 (indirect emissions) are calculated based on the externally purchased indirect electricity consumed by the Group.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group understands that our day-to-day operations do not have any direct and material impact on natural resources and the environment, we are nevertheless committed to the reduction of energy consumption and greenhouse gas emissions, in the hope of doing our part in environmental protection. During the Reporting Period, we implemented the following measures:

- ◇ Energy conservation notices were posted in the Company's premises to remind employees to turn off all unnecessary electronic equipment before leaving every day;
- ◇ Constant temperature was maintained, and the temperature of air conditioners was kept at 26°C;
- ◇ LED lightbulbs were used in offices to reduce electricity consumption;
- ◇ Comparison of different models was made in the procurement of electronic equipment, and preference was given to brands with outstanding performance in energy efficiency;
- ◇ Employees were encouraged to turn off all unused lighting devices and electronic equipment and devices during lunch break or temporary absence from their workstations;
- ◇ Benefits of the culture of energy conservation and carbon reduction were provided via internal emails on a regular basis.

In order to effectively enhance and evaluate our social responsibility for protecting the environment, our initial goal is to gradually reduce exhaust gas, carbon emissions and energy consumption in the future by strictly implementing the aforesaid emission reduction and energy conservation measures.

Water Resources Management

During the Reporting Period, our water consumption was mainly for office use. Currently, there is no issue in sourcing water. As our water supply facilities are mainly provided and maintained by the property management company where the office premises are located³, we can only post signs within the area of use to remind our employees to conserve water, with an aim to raise and cultivate the awareness of our employees to cherish water resources in the area of use.

³ As Firerock Capital and Firerock Co. operate in leased offices in Singapore and Thailand respectively, both the water supply and discharge are solely controlled by the property management offices of the premises, which consider the provision of water consumption and discharge data or sub-meter for individual tenants not feasible. Therefore, no specific water consumption data can be collected during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Waste Management

Due to its business nature, the Group does not generate any significant hazardous waste in the ordinary course of business. Non-hazardous waste mainly comes from paper and domestic waste produced in the Group's office premises. Our total non-hazardous waste produced was approximately 1.41 tonnes (2021: 2.46 tonnes), with an intensity of 3.4 kilogrammes/square metre (2021: 0.97 kilogramme/square metre)⁴. As always, we will try to arrange recycling as much as possible, and expect to strengthen the implementation of digital management in the coming years and continue to reduce paper consumption in order to minimize the environmental impact of waste produced from our operations. In order to reduce the amount of waste, we have fully implemented the following measures:

- Waste classification and environmental protection notices were posted in the Company's premises to encourage employees to communicate electronically;
- A paperless office was established to encourage the use of electronic documents as much as possible;
- Ink-saving printers were adopted to reduce the amount of ink used when printing.

Climate Change

As a company focusing on the development of browser and mobile games, our business activities have minimal impact on the environment and natural resources. Although we are not currently facing significant impacts related to climate change, we are aware of the severe negative impacts of global warming and extreme weather on the world, which will affect our business and global development in the long run. Therefore, we have begun to include climate-related issues as one of the risk factors in our ESG risk assessment for the Year, and have determined to continuously assess climate risks in the future, so as to adjust our ESG strategies, thereby contributing to the mitigation of the global impact of climate and ensuring our capabilities in coping with such risks.

We believe that the physical risk of game service interruptions or data loss caused by extreme weather events has a relatively significant impact on our business. Our game operation business relies on the network infrastructure and technology systems of reliable and stable in-house and third-party service providers to ensure smooth operation of our games and provide our players with high-quality game experience. Therefore, in addition to situations such as fires, floods, power shortages, network or telecommunication facility failures caused by natural disasters that affect the work progress at our offices, any extreme weather events in the places where our self-operated segments, our licensed operators or third-party servers or network service providers operate may cause interruptions to our network and game services, directly affecting the game experience of our users. In this regard, we have established a written system to perform quarterly recovery tests on our back-up data to ensure the availability of our back-up data.

At the same time, we strictly abide by the laws and regulations related to the environment and climate change in the places where we operate, and timely align with the national release of relevant policies, trying our best to reduce the impact of climate change on the environment in the course of operation. As a result, our exposure to transition risks, such as reputation, laws and policies, is relatively low.

⁴ Due to the decrease in the number of employees and office area in 2022 as compared with 2021, there was a decrease in the total amount of waste and an increase in intensity as compared with 2021.

ANTI-CORRUPTION

The Group strictly complies with the relevant laws and regulations on anti-corruption in the places where it operates, including the Prevention of Corruption Act of Singapore; and the Organic Act on Prevention and Suppression of Corruption 2018 and the Anti-dumping Measure of Thailand. During the Year, the Group was not aware of any non-compliance or litigation involving us or our employees that have a significant impact on the Group relating to money laundering, bribery, extortion, fraud and corruption.

Our Directors and employees adhere to the code of conduct to ensure that the Group conducts business with a high standard of integrity and we prohibit any form of bribery or corruption. The Group has adopted the “Anti-corruption and Anti-fraud Reporting Procedures” to require employees to report any suspected cases of unethical or illegal practices. Whistle-blowers can report anonymously by phone, fax or email. If there is any suspected case of corruption or bribery, the task force will conduct a comprehensive investigation and follow-up, and then report to the Board for further action.

During the Year, we also provided anti-corruption training to our Directors and employees to raise their awareness on financial crime risk and anti-money laundering practices.

COMMUNITY INVESTMENT

In the past, the Group has always adhered to the belief of taking up the responsibility of repaying the society while developing the economy, and actively participated in charity activities to give back to the society. During the Year, although we did not make any monetary contribution to the society, we actively encouraged our employees to participate in various charitable activities and voluntary activities to make indirect contributions to the community and build an atmosphere of mutual assistance and love.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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KPI A1.2 Total direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Carbon Emissions and Energy Management	44–45
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DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. ZHOU Zhiwei¹ (Chief Executive Officer)
Mr. GAO Bo²
Mr. CHEN Di
Ms. WONG Yan³
Mr. ZHOU Kun⁴

Non-executive Directors

Mr. ZHANG Yan (Chairman)⁵
Ms. YANG Kan⁶

Independent Non-executive Directors

Mr. TAM Chik Ngai Ambrose⁷
Ms. CHOW Woon San Shirley⁸
Mr. LOK Tze Bong⁹
Mr. CHAN King Fai¹⁰
Mr. YANG Zhen¹¹
Ms. ZHUANG Renyan¹²

Notes:

1. Mr. Zhou Zhiwei was appointed as an executive Director and the Chief Executive Officer on 31 March 2023
2. Mr. Gao Bo was appointed as an executive Director on 31 March 2023
3. Ms. Wong Yan was appointed as an executive Director on 16 June 2023
4. Mr. Zhou Kun resigned as an executive Director on 12 April 2023
5. Mr. Zhang Yan resigned as a non-executive Director on 30 May 2023
6. Ms. Yang Kan resigned as a non-executive Director on 30 May 2023
7. Mr. Tam Chik Ngai Ambrose was appointed as an independent non-executive Director on 30 March 2023
8. Ms. Chow Woon San Shirley was appointed as an independent non-executive Director on 30 March 2023
9. Mr. Lok Tze Bong was appointed as an independent non-executive Director on 12 April 2023
10. Mr. Chan King Fai resigned as an independent non-executive Director on 30 May 2023
11. Mr. Yang Zhen resigned as an independent non-executive Director on 12 April 2023
12. Ms. Zhuang Renyan was appointed as an independent non-executive Director on 19 March 2021, and resigned as an independent non-executive Director on 30 May 2023

BOARD OF DIRECTORS

Our Board currently consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. The term of service for Directors is three years, and Directors are permitted to be re-elected. Responsibilities of the Board include but are not limited to (i) convening general meetings, reporting on the Board's work at these meetings, implementing the Shareholders' resolutions passed at these meetings; (ii) determining business operation, financial, capital and investment plans; (iii) determining internal management structure, setting down fundamental management rules; (iv) appointing and discharging members of senior management, determining Directors' remuneration and formulating the proposals for profit distributions and for the increase or reduction of registered capital; and (v) taking responsibilities pursuant to the relevant laws, regulation and the Articles of Association.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. ZHOU Zhiwei (周志為)

Executive Director and chief executive officer

Mr. Zhou Zhiwei, aged 36, was appointed as an executive Director and the chief executive officer on 31 March 2023. Mr. Zhou has entered into a letter of appointment with the Company for a term of 3 years commencing on 31 March 2023, and he is entitled to a director's fees of SGD12,000 per month.

Mr. Zhou has more than 13 years of experience in ecommerce. Mr. Zhou acted as the chief executive officer and a director of Firerock Capital Pte. Ltd. since January 2023, which is a subsidiary of the Company. From October 2013 to April 2022, Mr. Zhou was the co-founder and served as the chief technology officer at Castlery Pte. Ltd., where he was mainly responsible for software development and advertisement for the furniture ecommerce brand. During Mr. Zhou's office at Castlery Pte. Ltd., he established multiple teams across product management, software development, software quality assurance and online operation and scaled the business from the single Singapore market to Australia and the United States. From June 2013 to October 2013, Mr. Zhou worked at Mastercard with his last position as senior software engineer, where he was mainly engaged in software development. From May 2012 to May 2013, Mr. Zhou worked at Tremor Video with his last position as web UI engineer, where he was mainly engaged in building advertising administrative backend. From May 2010 to April 2012, Mr. Zhou worked at PayPal with his last position as software engineer, where he was mainly engaged in website development for payment solution. Taking into account Mr. Zhou's working experiences in ecommerce, the Board believes that he can provide valuable advice on the direction of the Company's business development. Mr. Zhou shall focus more on the operations of the Group's foreign business.

Mr. Zhou graduated from National University of Singapore in June 2010 with a bachelor's degree in computing.

Mr. GAO Bo (高博)

Executive Director

Mr. Gao Bo, aged 37, was appointed as an executive Director on 31 March 2023. Mr. Gao has entered into a letter of appointment with the Company for a term of 3 years commencing on 31 March 2023, and he is entitled to a director's fees of SGD12,000 per month.

Mr. Gao has more than 13 years of experience in investment management and telecommunications. Since October 2022, he acted as an investment director of Firerock Capital Pte. Ltd., which is a subsidiary of the Company, and is mainly responsible for group investment decision and management. From January 2017 to September 2022, Mr. Gao worked at Nanshan Group Singapore Co., Pte. Ltd. with his last position as investment manager, where he was mainly engaged in investment business segment development. From June 2015 to January 2017, Mr. Gao worked at Kimberly-Clark Asia-Pacific with his last position as financial planning analyst. From 2011 to 2014, Mr. Gao worked at Huawei International Pte. Ltd. with his last position as core network engineer.

Mr. Gao graduated from Nanyang Technological University in Singapore in June 2010 with a bachelor's degree in electrical and electronic engineering. He obtained a master's degree in business administration from Singapore Management University in January 2016.



DIRECTORS AND SENIOR MANAGEMENT

Mr. CHEN Di (陳迪)

Executive Director

Mr. Chen Di, aged 42, was appointed as the independent non-executive Director of the Company in June 2017 and re-designated as the executive Director of the Company in March 2021. Mr. Chen has re-entered into a letter of appointment with the Company for a term of 3 years commencing on 19 March 2021 and until terminated by either party by giving at least 3 months' notice. Mr. Chen is entitled to a director's fees of RMB30,000 per month, which has been determined by the Board upon recommendation of the remuneration committee with reference to his experience and duties with the Company and prevailing market conditions.

Mr. Chen has worked in the banking, finance and securities industry for over 10 years with extensive experience in asset management. From July 2004 to August 2010, he worked at Overseas Chinese Town Group. Subsequently, he established Shenzhen Xiaobai Capital Limited (深圳市小白資本有限公司) in July 2013, making investments in enterprises such as Shenzhen Zhuohua Network and Technology Limited (深圳市灼華網絡科技有限公司) and Beijing Dingdong Lemon Science and Technology Limited (北京叮咚檸檬科技有限公司) and offering advice for their development. He also established Shenzhen Xiaobai Zhitong Equity Investment Partnership (Limited Partnership) (深圳市小白志同股權投資合夥企業(有限合夥)) in February 2016 and successfully obtained the copyright of the Buzzybee brand in China. He established Shenzhen Xiaobai Zhitong Investment Consulting Partnership (Limited Partnership) (深圳市小白志同投資諮詢合夥企業(有限合夥)), Shenzhen Xiaobai Digital Media Co., Ltd. (深圳市小白數字傳媒有限公司) and Shenzhen Donghe Digital Media Partnership (Limited Partnership) (深圳東禾數字傳媒合夥企業(有限合夥)) during August to October 2020. In August 2020, he served as a director of China Peak United Holdings (Shenzhen) Co., Ltd. (華峰聯合控股(深圳)有限公司), whose subsidiary China Peak Capital (華峰資本) has received numerous honours and accolades, including the "Best Innovative Investment Bank in Equity Investment in China 2018" awarded by renowned magazine Finance China (《融資中國》).

Mr. Chen obtained a bachelor's degree in e-commerce from Liaoning Science and Technology University in June 2004 and a master's degree in applied psychology from Peking University in July 2012. He has enrolled in the 15th Executive Master of Business Administration (EMBA) programme of the PBC School of Finance, Tsinghua University since September 2020.

Ms. WONG Yan (王欣)

Executive Director

Ms. Wong Yan, aged 44, was appointed as an executive Director on 16 June 2023. Ms. Wong has entered into a letter of appointment with the Company for a term of 3 years commencing on 16 June 2023, and she is entitled to a director's fees of HKD30,000 per month.

Ms. Wong has over 17 years of experience in asset management, compliance and corporate finance. Prior to joining the Company, Ms. Wong served as a director of the asset management department of China Huarong Overseas Investment Holdings Co., Limited. From June 2017 to October 2019, Ms. Wong served as the head of the risk management department of China Huarong Overseas Investment Holdings Co., Limited. From March 2006 to June 2017, Ms. Wong served as a co-vice president of the investment banking and corporate finance division of China Everbright Securities International Company Limited.

Ms. Wong obtained a bachelor's degree in international trade from Shanxi University, China and a Postgraduate Diploma in banking and finance from Loughborough University, the United Kingdom.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TAM Chik Ngai Ambrose (譚植藝)

Independent non-executive Director

Mr. Tam Chik Ngai Ambrose, aged 40, was appointed as an independent non-executive Director on 30 March 2023. Mr. Tam has entered into a letter of appointment with the Company for a term of 3 years commencing on 30 March 2023, and he is entitled to a director's fees of HKD15,000 per month.

Mr. Tam has over 18 years of experience in auditing, accounting and financial reporting. From December 2021 to December 2022, he worked at KC International Holdings Limited with his last position as an accounting general manager, where he was mainly responsible for leading the consolidation team in monitoring the consolidation process and reviewing the annual audit plan. From May 2021 to October 2021, Mr. Tam worked at Noble Bridge Investment Holdings Limited as a senior finance manager. From January 2015 to May 2021, Mr. Tam worked at BDO Limited with his last position as an audit manager. Prior to that, Mr. Tam held assurance and accounting roles at several international accounting firms and in-house.

Mr. Tam graduated from the University of Central England in Birmingham in July 2004 with a bachelor's degree in politics and contemporary governance. He is a member of CPA Australia.

Ms. CHOW Woon San Shirley (周媛珊)

Independent non-executive Director

Ms. Chow Woon San Shirley, aged 63, was appointed as an independent non-executive Director on 30 March 2023. Ms. Chow has entered into a letter of appointment with the Company for a term of 3 years commencing on 30 March 2023, and she is entitled to a director's fees of HKD15,000 per month.

Ms. Chow has over 37 years of experience in compliance, investment and asset management and acted as a director of AimHigh Global Solutions Limited and AimHigh Compliance Solutions Limited since January 2020, where she is mainly engaged in the provision of compliance advisory services to licensed corporations registered under the Securities and Futures Ordinance. From April 2017 to April 2018, Ms. Chow served as an independent compliance consultant for Ping An of China Securities (Hong Kong) Company Limited, where she was mainly engaged in corporate compliance advisory. From October 2008 to January 2017, Ms. Chow worked at Ping An of China Asset Management (Hong Kong) Company Limited with her last position as the Head of Legal & Compliance, where she was mainly engaged in legal compliance. From January 2007 to August 2007, Ms. Chow worked at the Canadian Imperial Bank of Commerce (Hong Kong Branch) with her last position as an executive director of the global asset management department and an executive officer licensed by the Securities and Futures Commission (the "SFC") to carry out Type 9 (asset management) regulated activity. From December 1999 to December 2006, Ms. Chow worked at CIBC Global Asset Management (Asia) Limited with her last position as a deputy managing director and a responsible officer licensed by the SFC to carry out Type 9 (asset management) regulated activity. From June 1988 to November 1999, Ms. Chow worked at CEF.TAL Investment Management Limited with her last position as deputy managing director. From April 1985 to June 1988, Ms. Chow worked at Gartmore (HK) Limited with her last position as marketing manager.

Ms. Chow graduated from Simon Fraser University in Canada in June 1985 with a bachelor's degree in economics and finance. She obtained a bachelor's degree (honor) in laws from the University of Wolverhampton in the United Kingdom in July 2007.



DIRECTORS AND SENIOR MANAGEMENT

Mr. LOK Tze Bong (駱子邦)

Independent non-executive Director

Mr. Lok Tze Bong, aged 45, was appointed as an independent non-executive Director on 12 April 2023. Mr. Lok has entered into a letter of appointment with the Company for a term of 3 years commencing on 12 April 2023, and he is entitled to a director's fees of HKD15,000 per month.

Mr. Lok has over 19 years of experience as a solicitor and is currently a practicing lawyer in Hong Kong and the principal of Lim & Lok Solicitors. Since 2014, Mr. Lok has been a guest lecturer at the Department of Law and Business of Hong Kong Shue Yan University, teaching different legal topics and courses to students. Mr. Lok is currently an independent non-executive director of AVIC Joy Holdings (HK) Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 260).

Mr. Lok graduated from the City University of Hong Kong with a bachelor's degree in laws and postgraduate certificate in laws. He is qualified to practice law in Hong Kong, England and Wales.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our Company's business.

Mr. ZHOU Zhiwei (周志為)

Executive Director and chief executive officer

Mr. Zhou Zhiwei, aged 36, was appointed as an executive Director and the chief executive officer on 31 March 2023. His biographical details are set out above under the section headed "Directors and Senior Management – Directors" to this annual report.

JOINT COMPANY SECRETARIES

Ms. Li Zijuan and Mr. Chu Hon Leung are our joint company secretaries.

Ms. Li Zijuan, aged 31, holds a bachelor's degree in Literature and Management from Wuhan Institute of Technology and a certificate in the Advanced Business Administration Seminar for Shenzhen Private and Small and Medium Enterprises (深圳市民營及中小企業高級工商管理研修班證書) from Tsinghua Shenzhen International Graduate School. She has served the Company for more than 8 years and is currently the assistant to the Chief Financial Officer of the Company, who is mainly responsible for the legal, company secretarial and compliance affairs of the Company. Since joining the Company in May 2015, Ms. Li had been actively involved in the Company's listing and transfer of listing from GEM to the Main Board of the Stock Exchange in 2016 and 2019 respectively, and has been assisting the Board in its operation and daily duties, performing the Company's compliance and registration and filing obligations, and preparing information disclosure documents including the annual reports, interim reports, announcements and circulars of the Company.

From July 2014 to April 2015, Ms. Li served as a risk control specialist of Shenzhen MTC Co., Ltd., the shares of which are listed on the Shenzhen Stock Exchange (stock code: SZ002429).

Mr. Chu Hon Leung (朱瀚樑), aged 41, has been a practicing solicitor in Hong Kong since 2009 and is currently an associate of Li & Partners. Mr. Chu had been in private practice as a solicitor with local and international law firms in Hong Kong and was an in-house counsel with a leading PRC asset management company. Mr. Chu obtained his bachelor degree in commerce from Macquarie University in Sydney, Australia, his graduate diploma in law from The College of Law in London, United Kingdom and graduated from the City University of Hong Kong with the postgraduate certificate in laws.



DIRECTORS' REPORT

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the development of browser, mobile games (including game design, programming and graphics) and computer software related to game operation (“Game Development”), on the basis of which the Group license its self-developed browser and mobile games to licensed operators around the world, 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-operate our self-developed game products in overseas markets.

For the principal activities and other details of the subsidiaries of the Company, please refer to Note 34 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 are set out in the financial statements on page 74 of this annual report.

The Directors did not recommend any payment of dividend for the reporting period.

BUSINESS REVIEW

Details of the Group’s business review (including discussion of the Group’s performance during the year, risks factors faced and risk mitigation measures, details of the Group’s compliance with the law and regulation which are of a material effect and the future business development of the Group) are set out in the sections headed, “Management Discuss and Analysis” and “Environmental, Social and Governance Report” in this annual report. Those review and discussion constitute part of the Directors’ Report.

SHARE CAPITAL

For the year ended 31 December 2022, details of the movements in share capital of the Company during the year are set out in the Note 27 to the consolidated financial statements.

USE OF PROCEEDS FROM 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 of the Company has been transferred to the Main Board from GEM on 27 June 2019. For the year ended 31 December 2022, the Group has spent approximately HKD27.8 million, in aggregate, of the proceeds from the Placing (approximately HKD7.2 million on development of new games on mobile devices, approximately HKD7.2 million on development of new browser games, approximately HKD2.9 million on the continual optimisation of our existing games on various platforms, approximately HKD2.9 million on enhancing our game development capabilities, approximately HKD3.6 million on the acquisition/investment of game developers and related companies, approximately HKD1.5 million for working capital and other general corporate uses and approximately HKD2.5 million for seeking opportunities to obtain/acquire the adoption rights of appropriate contents).

	Original allocation <i>HKD'm</i>	Original allocation <i>Percentage</i>	Used amount as at 31 December 2022 <i>HKD'm</i>	Used amount as at 31 December 2022 <i>Percentage</i>	Unused amount as at 31 December 2022 <i>HKD'm</i>	Unused amount as at 31 December 2022 <i>Percentage</i>
Continual optimisation of existing games on various platforms	2.9	10.0%	2.9	10.0%	—	—
Development of new game series — browser games	7.2	25.0%	7.2	25.0%	—	—
Development of new game series — 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%
Acquisition of/investment in game developers and related companies	3.6	12.5%	3.6	12.5%	—	—
Enhancement and diversification of game development capabilities	2.9	10.0%	2.9	10.0%	—	—
Working capital and other general corporate purposes	1.5	5.0%	1.5	5.0%	—	—
Total	28.9	100.0%	27.8	96.2%	1.1	3.8%

RESERVES

For the year ended 31 December 2022, details of the changes in the reserves of the Group are set out in the consolidated statement of changes in equity and Note 28 to the consolidated financial statements. As at 31 December 2022, the Company had no reserves available for distribution.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

Our ultimate customers are individual game players. Due to our large customer base, its five highest paying players in aggregate contributed to substantially less than 30% of the total sales proceeds received during the year ended 31 December 2022.

Our major suppliers include companies which provided outsourced services such as part of the graphic design and audio production of sound effects, background music and game testing fee of our games in the game research and development activities and also in their subsequent updates and enhancements as well as server data centre and bandwidth service providers. For the year ended 31 December 2022, purchases from our five largest suppliers accounted for approximately 44.2% of our total purchases, while purchases from our single largest supplier accounted for approximately 14.3% of our total purchases.

None of the Directors of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers or suppliers.

FINANCIAL HIGHLIGHTS

A summary of the published results and of the assets and liabilities of the Group for the last four financial years, as extracted from the audited financial statements, was set out on page 8 in the annual report. The summary does not form part of the audited consolidated financial statements of the Group.

BUSINESS REVIEW AND RISK FACTORS FACED BY THE COMPANY AND THE RESPONSE STRATEGIES

Details of the business review and risk factors faced by the Company as well as the response strategies are set out in the "Management Discussion and Analysis" section of this report, and form part of the "Directors' Report".

CHARITY DONATION

For the year ended 31 December 2022, the Group did not make any charity donation and other donation.

PROPERTY, PLANT AND EQUIPMENT

Details of the changes in property, plant and equipment during the year ended 31 December 2022 are set out in the Note 15 to the consolidated financial statements.

BORROWING

As at 31 December 2022, the Group did not have any bank or other borrowings.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liabilities.

SUFFICIENT PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, there is sufficient public float of the Company's securities as required under the Main Board Listing Rules for the reporting period and up to the date of this report.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the articles or the laws of the Cayman Islands, and no restrictions exist which oblige the Company to offer new shares on a pro rata basis to its existing Shareholders.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into service contract with the Company, each of the independent non-executive Directors and the non-executive Directors has signed a letter of appointment with the Company, and is subject to termination by either party giving not less than three months' written notice. Such appointments are subject to retirement by rotation provisions in the Articles of Association.

At the annual general meeting held on 12 May 2021, certain directors were re-appointed, appointed and re-designated by the Company.

No Director proposed for re-election at the forthcoming annual general meeting has a non-expired service contract with the Company or any subsidiaries, which is not determinable by the Company or any subsidiaries within one year without payment of compensation (other than statutory compensation).

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS' INDEPENDENCE

According to the Rule 3.13 of Main Board Listing Rules, the Company has received a confirmation from each of the independent non-executive Directors in respect of their independence. The Company has reviewed the independence of aforementioned Directors. We consider that all independent non-executive Directors are being considered to be independent.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2022, the Directors and the chief executive of our Company had the interests and short positions in the Shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"):

- (a) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or
- (b) which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or

DIRECTORS' REPORT

- (c) which will be required to be notified to our Company and the Stock Exchange pursuant to Appendix 10 of the Main Board Listing Rules, as follows:

Name	Capacity	Number of Shares ¹	Percentage of Shareholdings
Mr. Zhang Yan ²	Beneficial owner and Interest of controlled corporation	1,566,800,000	40.80%
Mr. Zhou Kun	Beneficial owner	1,200,000	0.03%

Notes:

- All interests stated are long positions.
- Mr. Zhang Yan is interested in approximately 40.80% of the total issued shares of the Company, i.e. 1,566,800,000 Shares, including:
 - 76,800,000 shares owned by beneficial owners, accounting for approximately 2.00% of the Company's issued share capital;
 - 1,310,000,000 shares, accounting for approximately 34.11% of the Company's share capital. Mr. Zhang Yan is interested in the entire issued share capital of Sulfulon International Limited and he is therefore deemed to be interested in the Shares held by Sulfulon International Limited by virtue of the SFO;
 - 180,000,000 Shares, representing approximately 4.69% of the share capital of the Company. Mr. Zhang Yan is interested in the entire issued share capital of Infinities Investment Pte. Ltd., which is wholly-owned by Infinities Super Holding Limited. Infinities Super Holding Limited is a company incorporated in the Cayman Islands with limited liability and is wholly-owned by Mr. Zhang Yan. Therefore, Mr. Zhang Yan is deemed to be interested in the Shares held by Infinities Investment Pte. Ltd. by virtue of the SFO.

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to Appendix 10 of the Main Board Listing Rules relating to securities transactions by Directors to be notified to our Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES OR UNDERLYING SHARES

So far as is known to the Directors or chief executive of the Company, as at 31 December 2022, the following persons had, or were deemed or taken to have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity	Number of Shares ¹	Percentage of shareholding
Sulfulon International Limited	Beneficial owner	1,310,000,000	34.11%
Mr. Zhang Yan ²	Interest of controlled corporation	1,566,800,000	40.80%
Ms. Zheng Xin ³	Interest of spouse	1,566,800,000	40.80%
Mr. Zhou Kun	Beneficial owner	1,200,000	0.03%
Ms. Hu Jinrui ⁴	Interest of spouse	1,200,000	0.03%

Notes:

1. All interests stated are long positions.
2. Mr. Zhang Yan is interested in approximately 40.80% of the total issued shares of the Company, i.e. 1,566,800,000 Shares, including:
 - i. 76,800,000 shares owned by beneficial owners, accounting for approximately 2.00% of the Company's issued share capital;
 - ii. 1,310,000,000 shares, accounting for approximately 34.11% of the Company's share capital. Mr. Zhang Yan is interested in the entire issued share capital of Sulfulon International Limited and he is therefore deemed to be interested in the Shares held by Sulfulon International Limited by virtue of the SFO;
 - iii. 180,000,000 Shares, representing approximately 4.69% of the share capital of the Company. Mr. Zhang Yan is interested in the entire issued share capital of Infinities Investment Pte. Ltd., which is wholly-owned by Infinities Super Holding Limited. Infinities Super Holding Limited is a company incorporated in the Cayman Islands with limited liability and is wholly-owned by Mr. Zhang Yan. Therefore, Mr. Zhang Yan is deemed to be interested in the Shares held by Infinities Investment Pte. Ltd. by virtue of the SFO.
3. Ms. Zheng Xin is the spouse of Mr. Zhang Yan and she is therefore deemed to be interested in the Shares held by Mr. Zhang Yan by virtue of the SFO.
4. Ms. Hu Jinrui is the spouse of MR. ZHOU KUN and she is deemed to be interested in the Shares held by Mr. Zhou Kun by virtue of the SFO.

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

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

DIRECTORS' REPORT

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

None of the Directors, the controlling shareholders, nor their respective associates had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year ended 31 December 2022.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme ("Share Option Scheme") conditionally adopted by our Company on 24 January 2016.

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the eligible participants have had or may have made to the Group. The scheme is valid and effective for a period of ten years commencing from the date of adoption of the scheme.

Eligible participants of the Share Option Scheme include:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non executive Directors) of the Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group, the assessment criteria of which are:
 - (aa) contribution to the development and performance of the Group;
 - (bb) quality of work performed for the Group;
 - (cc) initiative and commitment in performing his/her duties; and
 - (dd) length of service or contribution to the Group.

As at 31 December 2022, the total number of Shares available for issue under the Share Option Scheme is 192,000,000 Shares, representing 5% of the issued share capital of the Company. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of the Company but subsequently cancelled (the "Cancelled Shares")) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular and the approval of the Shareholders in general meeting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised and the vesting period of an option will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted.

Upon acceptance of an option to subscribe for shares granted pursuant to the scheme (the "Option"), the eligible participant shall pay HKD1.00 to the Company as consideration for the grant. The subscription price for the Shares subject to Options will be a price determined by the Board and notified to each participant and shall be the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant of the Options; and
- (iii) the nominal value of a Share.

No share option has been granted as at the date of this report and since the adoption of the scheme.

* Before the share subdivision took effect, the authorized share capital of the Company was HKD20,000,000, divided into 6,000,000,000 shares with a par value of one-third Hong Kong cent each, of which 960,000,000 shares were issued and fully paid or credited as fully paid shares. After the share subdivision becomes effective, the authorized share capital of the Company is HKD20,000,000, divided into 24,000,000,000 subdivided shares with a par value of one-twelfth Hong Kong cent each, of which 3,840,000,000 subdivided shares will be issued and fully paid or credited as fully paid stock.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group are set out in note 30 to the consolidated financial statements.

CONNECTED TRANSACTIONS

The Company has not entered into any connected transactions as defined under the Main Board Listing Rules for the year ended 31 December 2022. For the avoidance of doubt, none of the related party transactions undertaken by the Group during the year ended 31 December 2022 constituted connected transaction of the Company under the Main Board Listing Rules.

NON-COMPETITION UNDERTAKING OF DIRECTORS

Each of the executive Directors has undertaken that, among other things, shall not, and shall procure that his/its close associates shall not, among other things:

- (a) directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) (i) the current and potential business engaged or to be engaged by our Group, including but not limited to the development of electronic/online games and/or (ii) any other new business that our Group may undertake from time to time after the Listing (collectively the "Restricted Business") and where they become aware of such engagement of the Restricted Business they shall notify our Company forthwith;
- (b) solicit or procure any of the suppliers and/or the customers of our Group from time to time to terminate their business relationships or otherwise reduce the amount of business with our Group;

DIRECTORS' REPORT

- (c) solicit or procure any of the directors, senior management or other employees of our Group from time to time to resign or otherwise cease providing services to our Group; and/or
- (d) unless with the prior written consent of our Company, disclose any confidential information of our Group to any other third parties, including but not limited to, customers list and supplier list.

Each of the executive Directors confirmed that he/she has fulfilled the above non-competition undertakings from the date of Listing to the year ended 31 December 2022.

PERMITTED INDEMNITY PROVISION

Appropriate Directors' liability insurance cover has been arranged by the Company to indemnify the Directors for liabilities arising out of corporate activities. The coverage and the sum insured under the policy are reviewed annually.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has applied the code provisions as set out in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Main Board Listing Rules. Save as disclosed in this report, the Company has complied with all the code provisions set out in the respective codes from the date of Listing to the date of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance in relation to the Group's business in which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

AUDITOR

As affected by the matters mentioned in the announcements of the Company dated 18 March 2022 and 29 August 2022, in particular, the implementation of COVID-19 outbreak prevention and control quarantine measures which has posed difficulties for the financial reporting and consolidation process of the Company's operations in the PRC. the Company has not been able to reach a consensus with BDO Limited ("BDO") on finalising a mutually acceptable schedule for commencing the audit work in relation to the consolidated financial statements of the Group for the year ended 31 December 2021. BDO has tendered its resignation as auditor of the Company with effect from 11 November 2022. BDO has confirmed in its letter of resignation that, save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders of the Company.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.



DIRECTORS' REPORT

In accordance with the articles of association of the Company and with the recommendation of the Audit committee, it has resolved to appoint Crowe (HK) CPA Limited (“Crowe”) as the new auditor of the Company to fill the casual vacancy following the resignation of BDO. On 13 April 2023, Crowe has completed the audit engagement acceptance procedures for its official appointment to duly become the new auditor of the Company, and Crowe shall hold office until the conclusion of the next annual general meeting of the Company.

REVIEW BY AUDIT COMMITTEE

The audit committee has reviewed the audited annual results of the Company for the year ended 31 December 2022 and made recommendations and advice.

By order of the Board

Chen Di

Executive Director

Hong Kong, 27 July 2023

INDEPENDENT AUDITOR'S REPORT



國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

To the Shareholders of Fire Rock Holdings Limited
(incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Fire Rock Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 75 to 136, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR QUALIFIED OPINION

1. Comparative information

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

2. Valuation of refundable deposits paid for strategic acquisition

As set out in note 20(a) to the consolidated financial statements for the year ended 31 December 2022, the Group had paid refundable deposits of USD2,500,000 (equivalent to approximately HKD19,500,000) and USD4,500,000 (equivalent to approximately HKD35,024,000) at 31 December 2022 and 2021 respectively to a party (the "Vendor") for the acquisition of certain equity shares in an entity (the "Target"), which is engaged in provision of digital payment services in Singapore, held by the Vendor. In April 2022, USD2,000,000 (equivalent to approximately HKD15,524,000) was refunded by the Vendor. According to the deed signed on 21 June 2022 and the agreement on 2 July 2022 entered into between the Vendor and the Group, the Vendor agreed to repay the remaining balance of USD2,500,000 (equivalent to approximately HKD19,500,000) through the transfer of the Vendor's certain equity shares in the Target to a private fund wholly-owned by the Group, of which the Group is a limited partner, at a consideration per share in the Target to be agreed between the Vendor and the Group. The Directors represented that the transfer of the aforesaid shares in the Target is subject to the approval by the relevant regulatory body in Singapore and the transfer application had been submitted to the relevant regulatory body. However, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves:

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

As disclosed in note 3(d) to the consolidated financial statements, as at 31 December 2022, the Group's current liabilities exceeded its current assets by approximately HKD306,970,000 and the Group had net liabilities of approximately HKD421,254,000. These events or condition, together with other matters described in note 3(d) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Capitalisation and impairment assessment of development costs

Refer to Note 16 to the consolidated financial statements and Group's critical accounting judgements and key sources of estimation uncertainty in relation to the capitalisation and impairment assessment of development costs set out in Note 5(ii), the Group capitalised costs of developing mobile games of approximately HKD3,218,000 as intangible assets as at 31 December 2022. The specific criteria that need to be met for capitalisation of development costs involves significant management judgements and estimates.

Management has performed an impairment review in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". The recoverable amounts are determined based on value in use calculations, which involved significant assumptions and judgements made by management concerning the estimated future cash flows and the discount rate applied to future cash flow forecast.

INDEPENDENT AUDITOR'S REPORT

Our response:

Our procedures in relation to the capitalisation and impairment assessment of development costs included:

- Test the controls designed and implemented by the Group over its process to capitalise development costs;
- Evaluated the nature and reasonableness of development costs incurred that are capitalised into intangible assets;
- Discussing with senior management to understand the cash flow projection and key assumptions;
- Assessing the reasonableness of key assumptions for:
 - growth rate based on our knowledge of the business and industry and by considering the historical performance achieved;
 - discount rate used in the calculations based on the market data and research;
- Checking the mathematical accuracy of the value in use calculations; and
- Review the sensitivity analysis prepared by the management including assessing the effect of a reasonably possible change in discount rate.

Impairment assessment of deposits paid in respect of strategic acquisitions

As at 31 December 2022, the carrying amount of deposits paid in respect of strategic acquisitions (the "Deposits") was approximately HKD29,994,000 as set out in notes 20(b) and 20(c) to the consolidated financial statements. Given the carrying amount of the Deposits is material to the consolidated financial statements and the Group is also required to consider any indication of impairment on the Deposits. Assessing the impairment of the Deposits is a judgmental area which involved significant management's judgement and estimation. No impairment loss on the Deposits was recognised as it represented the management's best estimates of the recoverability.

Our response:

Our procedures in relation to the impairment of deposits paid in respect of strategic acquisitions included:

- Reviewed acquisition agreements for the Deposits;
- Performed company searches and/or obtained the management representation to confirm whether the vendors of the potential acquisitions are related parties; and
- Obtained the management's assessment on any indicators of impairment and review the reasonableness of the methods, assumptions and critical judgment adopted.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the above matters. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT

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

Crowe (HK) CPA Limited
Certified Public Accountants

Hong Kong, 27 July 2023

Chung Wai Chuen, Alfred
Practising Certificate Number: P05444

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HKD'000	2021 HKD'000
Revenue	7	115,063	1,035,215
Direct costs		(38,470)	(168,134)
Gross profit		76,593	867,081
Other income	7	50,920	26,974
Research costs		—	(42,822)
Distribution costs		(42,028)	(85,093)
Administrative expenses		(22,794)	(99,273)
Penalties arising from the establishment of a gambling house through a mobile game	3(c)	—	(560,585)
Loss on deconsolidation of subsidiaries	32	—	(1,200,338)
Finance costs	8	(18,505)	(19,415)
Profit/(loss) before income tax	9	44,186	(1,113,471)
Income tax expense	10	(8,699)	(97,986)
Profit/(loss) for the year		35,487	(1,211,457)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		935	26,808
Reclassification of exchange difference upon deconsolidation of subsidiaries		—	(44,265)
Other comprehensive income/(loss) for the year		935	(17,457)
Total comprehensive income/(loss) for the year		36,422	(1,228,914)
Profit/(loss) attributable to:			
Owners of the Company		30,201	(1,213,086)
Non-controlling interests		5,286	1,629
		35,487	(1,211,457)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		31,312	(1,230,404)
Non-controlling interests		5,110	1,490
		36,422	(1,228,914)
		HKD cents	HKD cents
Earnings/(loss) per share			
Basic and diluted	12	0.79	(31.59)

The notes on pages 79 to 136 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HKD'000	2021 HKD'000
Non-current assets			
Property, plant and equipment	15	3,200	2,178
Intangible assets	16	3,218	—
Goodwill	17	—	—
Right-of-use assets	18	1,779	1,225
Financial assets at fair value through profit or loss	19	—	—
Deposits	20	49,759	35,291
		57,956	38,694
Current assets			
Trade receivables	21	9,832	9,620
Prepayment, deposits and other receivables		2,380	1,220
Cash and cash equivalents	22	119,544	347,755
		131,756	358,595
Current liabilities			
Lease liabilities	18	987	779
Other payables	23	17,881	229,069
Deferred revenue	24	7	18
Promissory notes	25	416,126	252,200
Tax payables		3,725	2,167
		438,726	484,233
Net current liabilities		(306,970)	(125,638)
Total assets less current liabilities		(249,014)	(86,944)
Non-current liabilities			
Lease liabilities	18	762	411
Promissory notes	25	168,041	366,613
Deferred tax liabilities	26	3,437	1,671
		172,240	368,695
Net liabilities		(421,254)	(455,639)
Equity			
Share capital	27	3,200	3,200
Reserves	28	(433,209)	(464,589)
Total equity attributable to owners of the Company		(430,009)	(461,389)
Non-controlling interests		8,755	5,750
Total deficit		(421,254)	(455,639)

The notes on pages 79 to 136 form part of these consolidated financial statements.

Approved and authorised for issue by the board of directors on 27 July 2023.

Chen Di
Director

Wong Yan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company										
	Share capital HKD'000	Share premium* HKD'000	Capital reserve* HKD'000	Merger reserve* HKD'000	Statutory reserve* HKD'000	Share-based payment reserve* HKD'000	Foreign exchange reserve* HKD'000	Retained profits/(accumulated losses)* HKD'000	Total HKD'000	Non-controlling interests HKD'000	Total equity/(deficit) HKD'000
At 1 January 2021	3,200	41,782	14,200	13,800	15,900	2,555	16,685	707,997	816,119	1,692	817,811
(Loss)/profit for the year	—	—	—	—	—	—	—	(1,213,086)	(1,213,086)	1,629	(1,211,457)
Other comprehensive income/(loss) for the year:											
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	26,947	—	26,947	(139)	26,808
— Reclassification of exchange difference upon deconsolidation of subsidiaries	—	—	—	—	—	—	(44,265)	—	(44,265)	—	(44,265)
Total comprehensive income/(loss) for the year	—	—	—	—	—	—	(17,318)	(1,213,086)	(1,230,404)	1,490	(1,228,914)
Final dividends in respect of 2020	—	—	—	—	—	—	—	(49,997)	(49,997)	—	(49,997)
Dividends paid to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	(450)	(450)
Deemed disposal of partial interest in a subsidiary without losing control (Note 34)	—	—	—	—	—	—	57	(939)	(882)	1,055	173
Appropriation to statutory reserve (Note 23(d))	—	—	—	—	194	—	—	(194)	—	—	—
Capital injection by the major shareholder	—	—	3,020	—	—	—	—	—	3,020	—	3,020
Capital injection by non-controlling interests	—	—	—	—	—	—	—	—	—	5,949	5,949
Equity-settled share-based transactions (Note 29)	—	—	—	—	—	755	—	—	755	—	755
Release upon deconsolidation of subsidiaries	—	—	—	—	(15,715)	—	—	15,715	—	(3,986)	(3,986)
At 31 December 2021	3,200	41,782	17,220	13,800	379	3,310	(576)	(540,504)	(461,389)	5,750	(455,639)
At 1 January 2022	3,200	41,782	17,220	13,800	379	3,310	(576)	(540,504)	(461,389)	5,750	(455,639)
Profit for the year	—	—	—	—	—	—	—	30,201	30,201	5,286	35,487
Other comprehensive income/(loss) for the year:											
— Exchange differences on translation of foreign operations	—	—	—	—	—	—	1,111	—	1,111	(176)	935
Total comprehensive income for the year	—	—	—	—	—	—	1,111	30,201	31,312	5,110	36,422
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(2,270)	(2,270)
Deemed disposal of partial interest in a subsidiary without losing control (Note 34)	—	—	—	—	—	—	—	68	68	165	233
At 31 December 2022	3,200	41,782	17,220	13,800	379	3,310	535	(510,235)	(430,009)	8,755	(421,254)

* The aggregate balances of the deficit amounts of approximately HKD433,209,000 and of approximately HKD464,589,000 are included as reserves as at 31 December 2022 and 2021 respectively in the consolidated statement of financial position.

The notes on pages 79 to 136 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

Notes	2022 HKD'000	2021 HKD'000
Cash flows from operating activities		
Profit/(loss) before income tax	44,186	(1,113,471)
Adjustments for:		
Amortisation of intangible assets	—	63,416
Depreciation of property, plant and equipment	822	4,412
Depreciation of right-of-use assets	1,143	4,783
Interest income	(149)	(8,073)
Interest expenses on lease liabilities	102	452
Interest expenses on promissory notes	17,096	18,162
Imputed interest expenses on promissory notes	1,307	801
Provision for penalties arising from the establishment of a gambling house through a mobile game	—	560,585
Loss on deconsolidation of subsidiaries	—	1,200,338
Loss on disposals of property, plant and equipment	—	3
Share-based payment expenses	—	755
Impairment loss on property, plant and equipment	302	—
Expected credit loss on other receivables	412	—
Exchange difference	(53,049)	13,326
Operating profit before working capital changes	12,172	745,489
(Increase)/decrease in trade receivables	(551)	53,390
(Increase)/decrease in prepayments, deposits and other receivables	(1,588)	31,175
Decrease in trade and other payables	(2,163)	(129,802)
(Decrease)/increase in deferred revenue	(10)	563
Cash generated from operating activities	7,860	700,815
Tax paid	(5,268)	(150,204)
Net cash generated from operating activities	2,592	550,611
Cash flows from investing activities		
Interest received	149	8,073
Additions of intangible assets	(3,146)	(22,178)
Decrease in short-term bank deposits	—	24,116
Purchases of property, plant and equipment	(2,149)	(4,576)
Disposals of property, plant and equipment	—	1
Purchases of financial assets at fair value through profit or loss	—	(17,973)
Deposits refunded for potential strategic acquisitions	19	—
Refundable deposits paid for strategic acquisitions	20	(35,024)
Net cash outflow arising from acquisition of subsidiaries	31	(264,111)
Net cash outflow from deconsolidation of subsidiaries	32	(430,308)
Net cash used in investing activities	(19,615)	(741,980)
Cash flows from financing activities		
Dividends paid	—	(51,703)
Dividends paid to non-controlling interests of a subsidiary	(2,270)	(450)
Capital injection by the major shareholder	—	3,020
Capital injection by non-controlling interests of subsidiaries	233	6,122
Repayment of principal of promissory notes	25	(130,623)
Repayments of principal portion lease liabilities	18	(4,740)
Repayment of interest portion of lease liabilities	18	(452)
Repayment to the deconsolidated subsidiary	(208,730)	—
Net cash used in financing activities	(212,008)	(178,826)
Net decrease in cash and cash equivalents	(229,031)	(370,195)
Cash and cash equivalents at beginning of the year	347,755	708,317
Effect of foreign exchange rate changes	820	9,633
Cash and cash equivalents at end of the year	119,544	347,755
Analysis of cash and cash equivalents		
Cash at banks and on hand	119,544	347,755

The notes on pages 79 to 136 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

1. GENERAL INFORMATION

Fire Rock Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 3 November 2014. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located 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 which licensing self-developed browser and mobile games to licensed operators around the world (“Game Development”), assist the third parties in promoting game-related business and provide intellectual property rights licensing services to enterprises (“Game Publishing and Operation”). The Group also self-operates self-developed game products in overseas markets.

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

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

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

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION

(a) *Statement of compliance*

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

(b) *Basis of measurement*

The consolidated financial statements have been prepared under historical costs basis. The measurement bases are fully described in the accounting policies in Note 4, as modified by the revaluation of certain financial assets which are held at fair values.

3. BASIS OF PREPARATION (Continued)

(c) *Deconsolidation*

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

The directors of the Company (the “Directors”) are of the view that from the date of the event that the Public Security Bureau of Yuanjiang, Hunan Province, the People’s Republic of China (the “PRC”) commenced the investigation in December 2021, the Group had lost control over the assets of the PRC Major Subsidiaries and the ability to direct the operating and financing 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 the Public Security Bureau on 4 December 2021 for their committing the crime of establishment of a gambling house through the mobile game developed and operated by the PRC Major Subsidiaries; and
- the PRC Major Subsidiaries’ official seals, financial seals, financial records and computer hardware, which are necessary for operating the mobile games business in the PRC, were seized by the Public Security Bureau on 4 December 2021.

After having taken into account the applicable requirements under the HKFRSs in relation to the consolidated financial statements of the Group for the year ended 31 December 2021, the Directors consider that 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 on 4 December 2021 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

3. BASIS OF PREPARATION (Continued)

(d) Going concern basis

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(b) Business combination

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred to the Group, liabilities assumed by the Group from the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKFRS 13 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

(c) Subsidiaries and non-controlling interests

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Office equipment	1 to 5 years
Furniture and fixtures	5 years
Leasehold improvement	Over the lease term
Motor vehicles	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount (Note 4(m)).

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(e) Intangible assets

(i) Game and software intellectual properties

Game and software intellectual properties are initially recorded at cost and included internally generated intangible assets (i.e. capitalised development costs as detailed in Note 4(e)(ii) below) that are available for use. These intangible assets are amortised on a straight-line basis over their license periods or estimated useful lives of respective game and software intellectual properties.

(ii) Research and development costs

Costs associated with research activities are expensed in profit or loss as incurred. Costs that are directly attributable to development activities (relating to the design and testing of new or improved products controlled by the Group) are recognised as intangible assets provided that they meet the following recognition requirements:

- (1) demonstration of technical feasibility of completing the prospective product for internal use or sale;
- (2) there is intention to complete the intangible asset and use or sell it;
- (3) the Group's ability to use or sell the intangible asset is demonstrated;
- (4) how the intangible asset will generate future economic benefits through internal use or sale;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Intangible assets (Continued)

(ii) Research and development costs (Continued)

- (5) sufficient technical, financial and other resources are available for completion and to use or sell the intangible asset; and
- (6) the expenditure attributable to the intangible asset during its development can be reliably measured.

As mentioned in note (i) above, capitalised development costs are transferred to game and software intellectual properties for amortisation when the intangible assets are available for use. The Group initially determines the useful lives of its game and software intellectual properties based on the contracted period of license granted to the Group's licensed operators (the "Licensed Operators") which is normally 2 years for games and 3 years for software and subsequently reviews the estimated useful lives on a periodic basis. The useful lives of particular game and software intellectual properties will be extended if that game and software intellectual properties are popular resulting in extension of the contract period in the existing licensing agreements, or more licensing agreements being agreed with the Licensed Operators.

Development expenditure not satisfying the above criteria and expenditure on the research phase of the projects are recognised in profit or loss as incurred.

(iii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss and is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) *Intangible assets (Continued)*

(iv) **Intangible assets acquired from business combinations**

Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. The intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method over the expected life of the intangible assets.

(f) *Leasing*

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for which at the commencement date have a lease term of 12 months or less. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

(i) **Right-of-use asset**

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease. The Group measures the right-of-use assets applying a cost model. Under cost model, the right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

(ii) **Lease liability**

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) *Leasing (Continued)*

(ii) **Lease liability (Continued)**

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(g) *Financial instruments*

(i) **Financial assets**

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through profit or loss

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income or designated as fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "fair value loss on financial assets at fair value through profit or loss" line item.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) *Financial instruments (Continued)*

(ii) **Impairment loss on financial assets**

The Group has elected to measure loss allowances for trade receivables using the simplified approach in HKFRS 9 “Financial Instruments” (“HKFRS 9”) and has calculated expected credit losses (“ECLs”) based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired or a default event occur when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

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

(iii) **Financial liabilities**

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and lease liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) *Financial instruments (Continued)*

(iv) **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) **Derecognition**

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(h) *Revenue recognition*

The Group is principally engaged in the development and operation of self-developed browser and mobile games and provision of software licensing services.

(a) **License fees and Royalties**

The Group's revenue is mainly derived from granting the exclusive and non-exclusive rights of the self-developed games to the Licensed Operators and sharing of game revenue with the Group's Licensed Operators ("License fees and Royalties").

The Group's self-developed browser and mobile games are designed under free-to-play model. These games are operated directly by the Licensed Operators on their own platforms as well as third party internet platforms, subject to the contractual terms agreed with them or operating directly by the Group. Moreover, the Licensed Operators or the Group are responsible for hosting the games, providing customers' services to game players, determining the selling price of the in-game token, selection of distribution and payment channels and preventing, detecting and resolving cheating and hacking activities. The Group has evaluated and determined that it is not the primary obligor in the rendering services to game players. The Group considers that the Licensed Operators as their customers and the License fees and Royalties reported in the consolidated financial statements are net of taxes and related surcharges.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue recognition (Continued)

(a) License fees and Royalties (Continued)

The Group receives License fees and Royalties from the Licensed Operators for the provision of the license to operate the game. License fees represented the upfront fee from its Licensed Operators in exchange for exclusive operating rights of the Group's self-developed games in certain regions and providing related technical support. License fees is recognised in profit or loss over the time that granting the right to the License Operators to operate the Group's self-developed games within the contracted period. Royalties is recognised in profit or loss at the point in time and calculated monthly based on a pre-determined percentage of net sales of credits of the Licensed Operators which have been exchanged into in-game tokens purchased through platforms designated by the Licensed Operators and typically unaffected by the marketing discounts on the prices of credits offered by the Licensed Operators. On the other hand, the Group can access in-game accounts for the data of game player's purchase activity to estimate the royalties which is recognised when the Licensed Operators confirm their sales activities for the period.

(b) Game operation and publishing income

The Group operates self-developed mobile games under free-to-play model. Game players can purchase game credits which are virtual currency for acquisition of in-game virtual items for better in-game experience. The Group sells prepaid game credits through cooperation with various third party game distribution platforms and payment channels. These game distribution platforms, include major online application stores such as Google Play, and payment channels are entitled to services fees which are withheld and deducted from the gross proceeds collected from players, with the net amounts remitted to the Group. These service fee are commonly referred to as channel costs. The Group recognises revenue on a gross basis given it is the principal in these transactions, and records the channel cost under costs of revenue in the consolidated statement of profit or loss.

The Group has evaluated the respective roles and responsibilities of the Group, third-party distribution platforms and third-party payment channels in the delivery of game experiences to the paying players ("Paying Players") in determining if the Group is acting as principal or as an agent in the arrangement. The Group is responsible for the hosting the self-developed games, providing customers' services to game players, determining the selling price of the in-game token, selection of distribution and payment channels and preventing, detecting and resolving cheating and hacking activities. The Group has evaluated and determined that it is the primary obligor in the rendering services to game players. Accordingly, the Group considers that the Paying Players as their customers and the game operation income reported in the consolidated financial statements are on gross basis. Service charges by third-party distribution platforms and third-party payment channels are recorded as direct costs. Third-party distribution platforms and third-party payment channels collect the payment from the Paying Players and remit the cash net of commission charges which are pre-determined according to the relevant terms entered into between the Group and the third-party distribution platforms or third-party payment channels.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue recognition (Continued)

(b) Game operation income (Continued)

Upon the sales of game credits or in-game virtual items, the Group typically has an implied obligation to provide the services which enable the game credits or in-game virtual items to be displayed, used or converted into other in-game virtual currencies/items in the games. As a result, the proceeds received from sales of game credits or in-game virtual items are initially recorded as deferred revenue, which was accounted for as contract liabilities. The attributable portion of the deferred revenue relating to values of the game credits consumed and in-game virtual items converted are recognised as revenue upon the consumption of game credits and virtual items by Paying Players.

(c) Software licensing services

The software licensing services represent the provision of license of the Group's self-developed software within a specific period of time, customisation to interface with customers' data sources together with unspecific modification, upgrade or update in accordance with the customers' requirement throughout the contract period. The software launched to customers are either for internal use on subscription basis or as a component of mobile games for deployment to the market.

The Groups determines that the unspecific modification, upgrade, or updates are critical to the continued utility of the software and the customer's ability to benefit from the software will decline significantly without the unspecific modification to software based on market response to the enterprises' games. Therefore, the software license over the contract period, customisation and unspecific modification services are not distinct from each other and is identified as one performance obligation.

Some contracts of software licensing services contains extra billing when the usage of the software exceed certain limit, which give raise to variable consideration. The Group estimates the volume of consumption at contract inception and constrained until the associated uncertainty is subsequently resolved.

Revenue from the software licensing services is billed monthly and recognised ratably over the period in which the services are provided.

The Group also provides publishing services to third party game developers as well as game developing and other services to third parties. The revenue is recognised when service is rendered and control over the service is transferred to the customers.

(d) Interest income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(i) Cash and cash equivalents and short-term bank deposits

Cash and cash equivalents comprise cash on hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and are subject to an insignificant risks of change in value. Short-term deposits comprise deposits with banks with original maturities of more than three months.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) *Income taxes*

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they related to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) *Foreign currency*

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Company and certain subsidiaries are translated into the presentation currency of the Group (i.e. HKD) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve.

(l) *Employee benefits*

(i) **Retirement benefit costs**

The employees of the Group’s subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of employees’ salaries to the central pension scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Employee benefits (Continued)

(i) Retirement benefit costs (Continued)

Contributions are recognised as an expense in profit or loss when the services are rendered by the employees. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

(ii) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Share award scheme

All services received in exchange for the grant of any awarded shares are measured at fair value. These are indirectly determined by reference to the fair value of the awarded shares granted. Its value is appraised at the grant date and expense is recognised over the vesting period. The major shareholder of the Company gave their shares of the Company to eligible staffs. These shares were transferred to the eligible staffs on the grant date and were held under the custody of an independent financial institution.

(m) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(n) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Provisions and contingent liabilities

Provisions are stated at amortised cost and recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

(p) Related parties

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

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Related parties (Continued)

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In addition to information disclosed elsewhere in this consolidated financial statements, other key sources of estimation uncertainty that have significant risks of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Estimated useful lives of property, plant and equipment and intangible assets

The Group's management determines the useful lives and the related depreciation or amortisation charges for its property, plant and equipment and intangible assets. The estimates are based on the historical experience of the actual useful lives of those assets of similar nature and functions. Management will increase the depreciation or amortisation charges where useful lives are subsequently assessed to be less than previously estimated lives. It will write off or write down the technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from the estimated useful lives. Periodic review could result in a change in depreciable or amortisable lives and therefore affect the depreciation or amortisation charges in future periods.

As mentioned in Note 4(e)(ii), the Group initially determines the useful lives of its game and software intellectual properties based on the contracted period of license granted to the Group's Licensed Operators which is normally 2 years for games and 3 years for software and subsequently reviews the estimated useful lives on a periodic basis.

The useful lives of particular game and software intellectual properties will be extended if that game and software intellectual properties are popular resulting in extension of the contract period in the existing licensing agreements, or more licensing agreements being agreed with the Licensed Operators.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(ii) Impairment of intangible assets

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value in use and fair value less costs of disposal. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (a) whether an event has occurred that may indicate that the related asset values may not be recoverable; (b) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (c) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

(iii) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for property, plant and equipment at the end of each reporting period. The property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposal of the asset. When value in use calculation is undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(iv) Income taxes

The Group is subject to income taxes in the PRC and Thailand. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current tax liabilities in the period in which such determination is made.

Certain subsidiaries of the Group were each entitled to a preferential enterprise income tax rate for a specified period subject to certain conditions. Management generally applies the applicable preferential tax rate to calculate current income tax (Note 10) on the assumption that the subsidiaries will meet the conditions and qualify for the preferential treatment. The consequence of any failure to meet the conditions and any change in the applicable tax rate is adjusted in the year in which the information becomes known.

(v) Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implication a lease, and therefore, it uses an incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiaries’ stand-alone credit rating).

(vi) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(vii) Valuations of identifiable assets acquired upon business combinations

The Group had completed a business combination during the year and intangible assets and goodwill were resulted from the acquisition. The fair value of intangible assets and the purchase price allocation were supported by valuation performed by an independent professional valuer. The Group used judgement in making the assumptions on key estimates including revenue growth, useful life of the intangible assets and discount rate based on the Group's past history, existing market condition and forward-looking estimates.

6. SEGMENT INFORMATION

(a) Reportable segments

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

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

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

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

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

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31 December 2022

6. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

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

	For the year ended 31 December 2022		
	Game and software development and publishing HKD'000	Game operation and publishing HKD'000	Total HKD'000
Revenue from external customers	160	114,903	115,063
Reportable segment (loss)/profit	(16,079)	31,241	15,162
Interest income	115	26	141
Government grants	212	—	212
Finance costs	82	20	102
Depreciation and amortisation	1,419	546	1,965
Income tax expense	454	8,245	8,699
Reportable segment assets	100,995	45,121	146,116
Reportable segment liabilities	6,483	12,171	18,654
Additions to non-current assets [#]	5,984	1,002	6,986

	For the year ended 31 December 2021		
	Game and software development and publishing HKD'000	Game operation and publishing HKD'000	Total HKD'000
Revenue from external customers	652,141	970,831	1,622,972
Inter-segment revenue	(587,757)	—	(587,757)
Reportable segment revenue	64,384	970,831	1,035,215
Reportable segment loss	(3,162)	(1,062,646)	(1,065,808)
Interest income	6,125	1,880	8,005
Government grants	5,927	7,939	13,866
Finance costs	387	64	451
Depreciation and amortisation	31,996	37,935	69,931
Income tax expense	87,439	5,153	92,592
Reportable segment assets	282,160	29,183	311,343
Reportable segment liabilities	153,517	11,709	165,226
Additions to non-current assets [#]	27,605	1,128,750	1,156,355

[#] Additions to non-current assets during the year include all non-current assets other than financial instruments, deferred tax assets, net defined benefit assets and rights arising under insurance contracts.

6. SEGMENT INFORMATION (Continued)

(a) Reportable segments (Continued)

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

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

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

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

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

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

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6. SEGMENT INFORMATION (Continued)

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

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

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

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

(c) Information about major Licensed Operators

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

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7. REVENUE AND OTHER INCOME

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

Note:

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

8. FINANCE COSTS

	2022 HKD'000	2021 HKD'000
Interest expenses on lease liabilities	102	452
Imputed interest expenses on promissory notes	1,307	801
Interest expenses on promissory notes	17,096	18,162
	18,505	19,415

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9. PROFIT/(LOSS) BEFORE INCOME TAX

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

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

* 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.

10. INCOME TAX EXPENSE

	2022 HKD'000	2021 HKD'000
Current year – PRC Enterprise Income Tax (“EIT”)		
– Tax for the year	–	87,620
– Withholding tax on dividends	–	49,882
Current year – Thailand Corporate Income Tax (“CIT”)		
– Tax for the year	6,435	3,849
– Over-provision in respect of prior years	–	(650)
– Withholding tax on dividends	454	122
	6,889	140,823
Deferred tax (note 26)	1,810	(42,837)
	8,699	97,986

10. INCOME TAX EXPENSE (Continued)

No Hong Kong Profits Tax was provided in the consolidated financial statements as the Group has no estimated assessable profits derived from or arising in Hong Kong during the years ended 31 December 2022 and 2021.

No Singapore Corporate Income Tax was provided in the consolidated financial statements as the Group has no estimated assessable profits derived from or arising in Singapore during the year ended 31 December 2022.

Provision for the EIT in the PRC is calculated at the applicable rate of 25% in accordance with the relevant laws and regulations in the PRC.

For the year ended 31 December 2021, Shenzhen Fire Element and Shenzhen Viking, being subsidiaries of the Group before deconsolidation on 4 December 2021, renewed their qualifications as High-new Technology Enterprises (“HNTes”). In accordance with the tax incentives applicable to HNTes, they were entitled to a preferential EIT rate of 15% from 2021.

For the year ended 31 December 2020, Shenzhen Fire Element qualified as a “National Important Software Enterprise (“NISE”) and was entitled to a preferential tax rate of 10%. According to the tax law Caishui (2016) No.49 jointly issued by the Ministry of Finance of the PRC and other government authorities, an entity can register for the NISE in tax bureau if the entity complies with relevant requirement when filing the quarterly tax return. The application of preferential tax rate as explained above is after the assumption and estimates made by the management of the Group (Note 5(iv)).

For the year ended 31 December 2021, Shenzhen Fire Element Network Science and Technology, another subsidiary incorporated in the PRC before deconsolidation on 4 December 2021, was eligible to be classified as small enterprise by the local tax bureau and assessable profits are taxed at progressive rate. The first RMB1,000,000 assessable profits is taxed at 5% and assessable profits above RMB1,000,000 but less than RMB3,000,000 is taxed at 10%.

Firerock Co., Ltd. (“Firerock”) is a subsidiary incorporated in Thailand and its assessable profits are taxed at 20% for the year ended 31 December 2022 and 2021.

Pursuant to the PRC EIT Law, 10% withholding tax (unless reduced by tax treaties/arrangements) is levied on dividends declared to foreign investors from the foreign investment enterprise established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007.

Pursuant to the Thai Revenue Code, 10% withholding tax is levied on dividends declared to the shareholders of the subsidiaries in Thailand.

The Company and the subsidiaries incorporated in the Cayman Islands and the British Virgin Islands are not subject to income taxes.

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10. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the profit/(loss) before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 HKD'000	2021 HKD'000
Profit/(loss) before income tax	44,186	(1,113,471)
Tax on loss before income tax, calculated at the applicable tax rates	3,404	(171,045)
Tax effect of non-deductible expenses for tax purpose	852	281,909
Tax effect of non-taxable income for tax purpose	(101)	(1,020)
Effect of preferential tax rates granted to the subsidiaries operated in the PRC	—	(27,181)
Tax effect of unrecognised accelerated tax allowances	(486)	(174)
Tax effect of tax losses not recognised	2,766	768
Withholding tax on dividends	2,264	15,379
Over-provision in respect of prior years	—	(650)
Income tax expense	8,699	97,986

11. DIVIDENDS

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

12. EARNINGS/(LOSS) PER SHARE

The calculation of earnings per share is based on the profit attributable to owners of the Company of approximately HKD30,201,000 (2021: loss of HKD1,213,086,000) and the weighted average number of 3,840,000,000 ordinary shares (2021: 3,840,000,000 ordinary shares) in issue during the year ended 31 December 2022.

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

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13. STAFF COSTS

	2022 HKD'000	2021 HKD'000
Staff costs (including directors' emoluments (<i>note 14(a)</i>)) comprise:		
Salaries, allowances and benefits in kind	9,579	47,788
Contributions to defined retirement pension scheme	914	5,275
Share-based payment expenses (<i>note 29</i>)	—	755
	10,493	53,818

Staff costs are included in:

	2022 HKD'000	2021 HKD'000
Direct costs	654	9,571
Distribution costs	1,207	8,250
Administrative expenses	8,632	35,997
	10,493	53,818

14. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments of the directors are set out below:

Year ended 31 December 2022

	Fees HKD'000	Salaries, allowances and benefits in kind HKD'000	Contributions to defined retirement pension scheme HKD'000	Discretionary bonus HKD'000	Total HKD'000
<i>Executive directors</i>					
Mr. Zhou Kun	—	626	16	—	642
Mr. Chen Di	—	417	16	—	433
<i>Non-executive directors</i>					
Mr. Zhang Yan	—	600	18	50	668
Ms. Yang Kan	180	—	—	—	180
<i>Independent Non-executive directors</i>					
Mr. Chan King Fai	180	—	—	—	180
Mr. Yang Zhen	180	—	—	—	180
Ms. Zhuang Renyan	180	—	—	—	180
Total	720	1,643	50	50	2,463

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14. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

Year ended 31 December 2021

	Fees HKD'000	Salaries, allowances and benefits in kind HKD'000	Contributions to defined retirement pension scheme HKD'000	Discretionary bonus HKD'000	Total HKD'000
<i>Executive directors</i>					
Mr. Zhou Kun	—	692	16	54	762
Mr. Su Yi (resigned on 20 December 2021)	—	769	16	60	845
Mr. Chen Di (re-designated on 19 March 2021)	30	380	12	—	422
<i>Non-executive directors</i>					
Mr. Zhang Yan	—	600	18	—	618
Ms. Yang Kan	180	—	—	—	180
Mr. Huang Yong (re-designated on 11 February 2021 and resigned on 20 December 2021)	—	487	16	29	532
<i>Independent Non-executive directors</i>					
Mr. Chan King Fai	180	—	—	—	180
Mr. Yang Zhen	180	—	—	—	180
Ms. Zhuang Renyan (appointed on 19 March 2021)	150	—	—	—	150
Total	720	2,928	78	143	3,869

14. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2021: two) is the director of the Company whose emoluments are included in the analysis presented above. The emoluments of the remaining three (2021: three) highest paid individuals during the years ended 31 December 2022 and 2021 are as follows:

	2022 HKD'000	2021 HKD'000
Salaries, allowances and benefits in kind	1,813	2,034
Discretionary bonus	—	121
Contributions to defined contribution retirement plans	174	47
	1,987	2,202

Their emoluments fell within the following bands:

	2022 No. of individuals	2021 No. of individuals
Nil-HKD1,000,000	3	3

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to the directors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no directors waived or agreed to waive any emoluments during the year ended 31 December 2022.

(c) Senior management

Emoluments paid or payable to members of senior management who are not directors were within the following bands:

	2022 No. of individuals	2021 No. of individuals
Nil-HKD1,000,000	—	1

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15. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HKD'000	Furniture and fixtures HKD'000	Leasehold improvement HKD'000	Motor vehicles HKD'000	Total HKD'000
Cost					
At 1 January 2021	7,740	862	4,957	—	13,559
Additions	2,324	305	211	1,736	4,576
Acquisition of subsidiaries (note 31)	1,357	—	12	604	1,973
Disposals	—	(5)	—	—	(5)
Deconsolidation of subsidiaries (note 32)	(11,149)	(864)	(5,178)	(617)	(17,808)
Exchange alignment	238	11	142	13	404
At 31 December 2021 and 1 January 2022	510	309	144	1,736	2,699
Additions	724	242	392	791	2,149
Exchange alignment	(5)	(7)	2	7	(3)
At 31 December 2022	1,229	544	538	2,534	4,845
Accumulated depreciation					
At 1 January 2021	5,215	136	1,426	—	6,777
Charge for the year	2,774	58	923	657	4,412
Written back on disposals	—	(1)	—	—	(1)
Deconsolidation of subsidiaries (note 32)	(7,952)	(129)	(2,377)	(444)	(10,902)
Exchange alignment	175	—	54	6	235
At 31 December 2021 and 1 January 2022	212	64	26	219	521
Charge for the year	189	109	114	410	822
Exchange alignment	(4)	(1)	1	1	(3)
At 31 December 2022	397	172	141	630	1,340
Accumulated impairment					
At 1 January 2021, 31 December 2021 and 1 January 2022	—	—	—	—	—
Impairment loss for the year	146	98	58	—	302
Exchange alignment	1	1	1	—	3
At 31 December 2022	147	99	59	—	305
Net carrying value					
At 31 December 2022	685	273	338	1,904	3,200
At 31 December 2021	298	245	118	1,517	2,178

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16. INTANGIBLE ASSETS

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

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17. GOODWILL

	2022 HKD'000	2021 HKD'000
COST		
At beginning of the year	—	—
Acquisition of subsidiaries (<i>note 31</i>)	—	764,628
Deconsolidation of subsidiaries (<i>note 32</i>)	—	(780,545)
Exchange alignment	—	15,917
	—	—

Note:

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

During the year ended 31 December 2021, additions of goodwill of approximately RMB638,174,000 (approximately HKD764,628,000) is attributable to the acquisition of Tak Shing International Holdings Limited and its subsidiaries (*note 31*). The whole amount of goodwill was deconsolidated upon the loss of control of the PRC Major Subsidiaries on 4 December 2021 as disclosed in *note 32*.

18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases a number of office premises in the jurisdictions from which it operates, including the Hong Kong, Thailand and Singapore (2021: PRC, Hong Kong and Thailand). The leases of buildings comprise only fixed payments over the lease terms.

Right-of-use assets

	<i>HKD'000</i>
Cost	
At 1 January 2021	14,670
Additions of new leases	4,338
Acquisition of subsidiaries (<i>note 31</i>)	945
Deconsolidation of subsidiaries (<i>note 32</i>)	(17,295)
Exchange alignment	307
At 31 December 2021 and 1 January 2022	2,965
Additions of new leases	1,691
Exchange alignment	(4)
At 31 December 2022	4,652
Accumulated depreciation	
At 1 January 2021	5,815
Charge for the year	4,783
Deconsolidation of subsidiaries (<i>note 32</i>)	(9,012)
Exchange alignment	154
At 31 December 2021 and 1 January 2022	1,740
Charge for the year	1,143
Exchange alignment	(10)
At 31 December 2022	2,873
Net carrying value	
At 31 December 2022	1,779
At 31 December 2021	1,225

There are no extension or termination options on the Group's leases.

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18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Lease liabilities

	31 December 2022		31 December 2021	
	Present Value of minimum lease payment <i>HKD'000</i>	Total minimum lease payment <i>HKD'000</i>	Present Value of minimum lease payment <i>HKD'000</i> <i>(restated)</i>	Total minimum lease payment <i>HKD'000</i> <i>(restated)</i>
Maturity analysis:				
Within 1 year	987	1,028	779	787
After 1 year but within 2 years	557	620	411	419
After 2 years but within 5 years	205	155	—	—
	1,749	1,803	1,190	1,206
Less: Interest		(54)		(16)
		1,749		1,190
Analysed as:				
Non-current		762		411
Current		987		779
		1,749		1,190

Reconciliation of liabilities arising from financing activities:

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
At 1 January	1,190	9,370
Changes from cash flows:		
Payment of principal element of lease liabilities	(1,139)	(4,740)
Payment of interest element of lease liabilities	(102)	(452)
Other changes:		
Finance costs	102	452
Acquisition of subsidiaries (<i>note 31</i>)	—	924
Addition of new leases	1,691	4,338
Deconsolidation of subsidiaries (<i>note 32</i>)	—	(8,868)
Exchange alignment	7	166
At 31 December	1,749	1,190

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19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year ended 31 December 2021, Shenzhen Fire Element invested RMB15,000,000 (approximately HKD17,973,000) in a PRC unlisted investment fund for the purpose of long-term investment. This investment was derecognised as a result of deconsolidation of Shenzhen Fire Element on 4 December 2021 as disclosed in Note 32.

20. DEPOSITS

	2022 HKD'000	2021 HKD'000
Refundable deposits paid in respect of strategic acquisitions of:		
– Equity interest in a digital payment services provider in Singapore (<i>Note a</i>)	19,500	35,024
– Equity interest in Summer Mountain Group as defined below (<i>Note b</i>)	13,994	–
Deposit paid for initial investment in a private fund (<i>Note c</i>)	16,000	–
Rental deposits	265	267
	49,759	35,291

Notes:

- (a) The Group had paid refundable deposits of USD4,500,000 (equivalent to approximately HKD35,024,000) at 31 December 2021 to a party (the Vendor) for the acquisition of certain equity shares in an entity (the "Target"), which is engaged in provision of digital payment services in Singapore, held by the Vendor. In April 2022, USD2,000,000 (equivalent to approximately HKD15,524,000) was refunded by the Vendor. According to the deed signed on 21 June 2022 and the agreement on 2 July 2022 entered into between the Vendor and the Group, the Vendor agreed to repay the remaining balance of USD2,500,000 (equivalent to approximately HKD19,500,000) through the transfer of the Vendor's certain equity shares in the Target to a private fund wholly-owned by the Group, of which the Group is a limited partner, at a consideration per share in the Target to be agreed between the Vendor and the Group. The Directors represented that the transfer of the aforesaid shares in the Target is subject to the approval by the relevant regulatory body in Singapore and the transfer application had been submitted to the relevant regulatory body.
- (b) The Group entered into the Sale and Purchase Agreement 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. As at 31 December 2022, the amount represents RMB12,500,000 cash consideration paid to the vendors. As this acquisition constitutes major acquisition under Chapter 14 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited, and hence subject to the reporting, announcement, circular and Shareholders' approval requirements.
- (c) As at 31 December 2022, the amount represents deposit paid as a part of initial investment to general partner for a private fund which is wholly owned by the Group.

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21. TRADE RECEIVABLES

The Group normally allows a credit period within 120 days to its Licensed Operators, third party game distribution platforms and payment channels. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 37(a).

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

	2022 HKD'000	2021 HKD'000
0-30 days	9,832	9,620

No impairment allowance under the expected credit losses approach was provided as the management considered that there has not been a significant change in credit quality based on historical experience and the impairment allowance has no significant financial impact on the Group's trade receivables as at 31 December 2022 and 2021.

The Group does not hold any collateral over these balances.

22. CASH AND CASH EQUIVALENTS

	2022 HKD'000	2021 HKD'000
Cash at banks and on hands	119,544	347,755

Cash at banks earns interest at floating rate based on daily bank deposit rates. Short-term bank deposits are made for six months or less than three months, and earn interest at the respective short-term bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The cash and cash equivalents were denominated in following currencies at the end of the reporting period is shown as follows:

	2022 HKD'000	2021 HKD'000
Euro ("EUR")	43	46
HKD	8,736	5,965
United States dollars ("USD")	75,026	112,253
Thai Baht ("THB")	33,466	19,406
Singapore Dollar ("SGD")	1,004	575
RMB	1,269	209,510
	119,544	347,755

RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

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23. OTHER PAYABLES

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

Note:

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

24. DEFERRED REVENUE

	2022 HKD'000	2021 HKD'000
Current	7	18

As at 31 December 2022 and 2021, deferred revenue represented unamortised portion of income received in respect of in-game purchase paid by the Paying Players from the Group's game operation segment. Deferred revenue is classified as contract liability under HKFRS 15 "Revenue from contracts from customers".

As at 31 December 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts amounted to approximately HKD7,000 (2021: HKD18,000). The Group will recognise the expected revenue in future when or as the service is rendered, which is expected to occur over the next 6–12 months.

	2022 HKD'000	2021 HKD'000
Movements in deferred revenue		
At 1 January	18	160
Increase as a result of receiving in-game purchase paid by the Paying Players but revenue not recognised	7	723
Decrease as a result of recognising revenue during the year that was included in the deferred revenue at the beginning of the year	(18)	(160)
Deconsolidation of subsidiaries (note 32)	—	(704)
Exchange alignment	—	(1)
At 31 December	7	18

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

25. PROMISSORY NOTES

	2022 HKD'000	2021 HKD'000
At beginning of the year	618,813	—
Issuance of promissory notes (<i>note 31</i>)	—	717,147
Accrued interest expenses	17,096	18,162
Imputed interest accrued	1,307	801
Repayment of principal of promissory notes	—	(130,623)
Exchange alignment recognised in profit or loss	(53,049)	13,326
	584,167	618,813
At the end of the year	584,167	618,813

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

Represented by:

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

26. DEFERRED TAX LIABILITIES

	Withholding tax on dividends HKD'000	Fair value adjustments HKD'000	Others HKD'000	Total HKD'000
At 1 January 2021	36,358	—	—	36,358
Acquisition of subsidiaries (<i>note 31</i>)	—	89,015	533	89,548
Deconsolidation of subsidiaries (<i>note 32</i>)	—	(82,539)	(544)	(83,083)
Credit for the year	(34,625)	(8,212)	—	(42,837)
Exchange alignment	(62)	1,736	11	1,685
	1,671	—	—	1,671
At 31 December 2021 and 1 January 2022	1,810	—	—	1,810
Charge for the year	(44)	—	—	(44)
Exchange alignment	3,437	—	—	3,437

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26. DEFERRED TAX LIABILITIES (Continued)

As at 31 December 2022, the Group had the following taxable/(deductible) temporary differences:

Nature of temporary difference	Jurisdiction	2022 HKD'000	2021 HKD'000
Accelerated tax allowances	Hong Kong	633	807
Accelerated tax allowances	Singapore	3,028	—
		3,661	807
Unutilised tax losses	Hong Kong	(14,546)	(9,466)
Unutilised tax losses	Singapore	(7,123)	—
Unutilised tax losses	Thailand	(3,586)	—
		(25,255)	(9,466)
		(21,594)	(8,659)

Unutilised tax losses arising from Hong Kong and Singapore are available for offsetting against future taxable income indefinitely.

Unutilised tax losses arising from Thailand will expire in five years.

Certain amounts of unutilised tax losses are subject to approval from the local tax authorities. No deferred tax assets have been recognised due to the unpredictability of future profit streams against which the tax losses can be utilised.

Deferred tax arising from accelerated tax allowances from Hong Kong and Singapore are not recognised owing to their immateriality.

27. SHARE CAPITAL

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

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.

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28. RESERVES

Details of the movements on the Group's reserves for the years ended 31 December 2022 and 2021 are presented in the consolidated statement of changes in equity. The nature and purposes of reserves within equity are as follows:

(a) *Share premium*

Share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

(b) *Capital reserve*

On 20 March 2015, each of the shareholders of the Company advanced a shareholders' loan (the "Shareholders' Loan") amounted to HKD28,000,000 (equivalent to approximately RMB22,094,240) in aggregate to the Company but irrevocably waived by them on 24 March 2015. The Shareholders' Loan was classified as capital reserve of the Company on the same date. The funds represented that an inter-group loan was provided to Fire Rock International (HK) Limited ("Fire Rock (HK)").

On 21 April 2015, Fire Rock (HK) paid a cash consideration of HKD13,800,000 (equivalent to approximately RMB10,892,980) to Mr. Zhang Yan, Mr. Wu Zhe, Mr. Rao Zhen Wu and Mr. Huang Yong, the shareholders of Shenzhen Fire Element in exchange for their equity interests in Shenzhen Fire Element as part of the Group's reorganisation in 2016. The consideration was funded by the Shareholders' Loan. The remaining balance of the Shareholders' Loan would be used for general working capital requirements and the expenses of the Group.

The above transactions represented an integral part of the Group's reorganisation and in substance are accounted for by the Group as a single arrangement. Accordingly, the capital reserve of the Group reflects the cash inflow of HKD14,200,000 (equivalent to approximately RMB11,201,260) to the Group during the year ended 31 December 2015.

During the year ended 31 December 2021, the major shareholder made a capital contribution of approximately HKD3,020,000 to the Company without allotting and issuing new shares (note 29).

(c) *Merger reserve*

The merger reserve of the Group represents the difference between the investment costs in subsidiaries and the nominal value of the issued share capital of the Group's subsidiaries.

28. RESERVES (Continued)

(d) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the company incorporated in the PRC now comprising the Group, i.e. the PRC Operational Entity, it is required to appropriate 10% of the annual net profits of the PRC Operational Entity, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserve fund before distributing any net profit. When the balance of the statutory reserve fund reaches 50% of the registered capital of the PRC Operational Entity, any further appropriation is at the discretion of shareholders. The statutory reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory reserve fund after such issue is no less than 25% of registered capital.

In accordance with Section 1202 of Thai Civil and Commercial Code and Articles of Association of Firerock, it is required to appropriate at least 5% of the annual net profits, after offsetting any prior years' losses as determined under the Thai accounting standards, to the statutory surplus reserve fund before distributing any net profit. When the balance of the statutory surplus reserve fund reaches 10% of the registered capital of Firerock, any further appropriation is at the discretion of shareholders.

The Company

	Share premium <i>HKD'000</i>	Capital reserve <i>HKD'000</i>	Share- based payment reserve <i>HKD'000</i>	Retained profits/ (accumulated losses) <i>HKD'000</i>	Total <i>HKD'000</i>
At 1 January 2021	41,782	28,000	2,555	546,505	618,842
Loss for the year	—	—	—	(1,137,005)	(1,137,005)
Dividends	—	—	—	(49,997)	(49,997)
Capital injection from the major shareholder	—	3,020	—	—	3,020
Equity-settled share- based transactions (note 29)	—	—	755	—	755
At 31 December 2021 and 1 January 2022	41,782	31,020	3,310	(640,497)	(564,385)
Profit for the year	—	—	—	13,566	13,566
At 31 December 2022	41,782	31,020	3,310	(626,931)	(550,819)

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29. SHARE AWARD SCHEME

The Company operates a share award scheme (the “Scheme”) to provide incentive to its employees. On 12 September 2018, 8,496,000 award shares (after taking into account of the effect of Share Subdivisions on 4 May 2021 and 19 August 2020) were granted to 47 eligible employees with fair value of HKD3,800,000 (measured at the Company’s share closing price at the grant date) and the award shares were held under custody of Ping An of China Securities (Hong Kong) Company Limited. The award shares are unconditionally vested to the eligible employees after 3-year employment with the Group for the period from 12 September 2018 to 11 September 2021.

During the year ended 31 December 2022, share-based payment expenses of approximately Nil (2021: HKD755,000) have been recognised by the Group as staff costs in profit or loss (Note 13).

Upon the end of the vesting period, the forfeited award shares of 1,128,000 shares (after taking into account of effect of share subdivision on 4 May 2021 and 19 August 2020), were sold to the market with net proceed of approximately HKD3,020,000 (the “Net Proceed”). As the award shares were contributed by the major shareholder to the Scheme in 2018 and in accordance with the agreement entered into between the major shareholder and the Company dated 13 September 2021 pursuant to which the major shareholder agreed to contribute the Net Proceed to the Company as a capital contribution without allotting and issuing new shares, the Net Proceed was credited to the capital reserve during the year ended 31 December 2021 (note 28(b)).

The movements of the share-based payment reserve is as follows:

	2022 HKD'000	2021 HKD'000
At 1 January	3,310	2,555
Equity-settled share-based transactions	—	755
At 31 December	3,310	3,310

Movement in the number of award shares of the Company is as follows:

	2022 Number	2021 Number
At 1 January	—	1,848,000
Share subdivision (Note)	—	5,544,000
Forfeited due to termination of employment	—	7,392,000
Vested during the year	—	(24,000)
		(7,368,000)
At 31 December	—	—

Note:

The number of award shares were subdivided into four subdivided ordinary shares on 4 May 2021 (Note 26).

30. RELATED PARTY TRANSACTIONS

- (a) During the year ended 31 December 2022, the Group incurred technical service fee to Shenzhen Fire Element of approximately HKD1,159,000 (2021: Nil).
- (b) Except for those disclosed elsewhere in the consolidated financial statements, the Group did not entered into any other material related party transactions with its related parties during the years ended 31 December 2022 and 2021.
- (c) Members of key management comprise only of the directors whose emoluments are set out in Note 14(a).

31. 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 (“Tak Shing International”) (the “Acquisition”).

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 (<i>note 15</i>)	1,973
Intangibles assets (<i>note 16</i>)	357,717
Right-of-use assets (<i>note 18</i>)	945
Trade receivables	359
Prepayment, deposits and other receivables	89,326
Bank balances and cash	95,334
Trade and other payables*	(143,218)
Lease liabilities (<i>note 18</i>)	(924)
Deferred tax liabilities (<i>note 26</i>)	(89,548)
Total identifiable net assets acquired	311,964

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

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

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

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31. ACQUISITION OF TAK SHING INTERNATIONAL HOLDINGS LIMITED (Continued)

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)
Total identifiable net assets acquired	311,964
Goodwill (<i>note 17</i>)	764,628
Fair value of purchase considerations	1,076,592
Fair value of purchase considerations represented by:	
Cash consideration	359,445
Promissory notes (<i>note 25</i>)	717,147
	1,076,592

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

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

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

31. ACQUISITION OF TAK SHING INTERNATIONAL HOLDINGS LIMITED (Continued)

Net cash outflow arising from the Acquisition:

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

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. Included in the profit after tax, an amount of HKD533,728,000 represented the royalties paid to Shenzhen Fire Element, which was eliminated in the condensed 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.

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32. DECONSOLIDATION OF SUBSIDIARIES

As disclosed in note 3(c) to the consolidated financial statements, 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 (<i>note 15</i>)	6,906
Intangible assets (<i>note 16</i>)	372,068
Right-of-use assets (<i>note 18</i>)	8,283
Goodwill (<i>note 17</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 (<i>note 18</i>)	(8,868)
Tax payable	(108)
Deferred tax liabilities (<i>note 26</i>)	(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	1,200,338

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	(430,308)
<hr/>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2022 HKD'000	2021 HKD'000
Non-current assets			
Interest in subsidiaries		—	—
Deposits		33,494	35,024
Financial assets at fair value through profit or loss		—	—
		33,494	35,024
Current assets			
Prepayments, deposits and other receivables	33(a)	6	455
Amounts due from subsidiaries		1,225	—
Dividend receivables		—	—
Cash and cash equivalents		9,960	113,048
		11,191	113,503
Current liabilities			
Dividend payables		—	—
Accruals		8,137	7,337
Promissory notes	25	416,126	252,200
Amounts due to subsidiaries	33(a)	—	83,562
		424,263	343,099
Net current liabilities		(413,072)	(229,596)
Total assets less current liabilities		(379,578)	(194,572)
Non-current liabilities			
Promissory notes	25	168,041	366,613
		168,041	366,613
Net liabilities		(547,619)	(561,185)
Equity			
Share capital		3,200	3,200
Reserves		(550,819)	(564,385)
Total deficit		(547,619)	(561,185)

Note:

(a) The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

Approved and authorised for issue by the board of directors on 27 July 2023.

Chen Di
Director

Wong Yan
Director

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34. INTERESTS IN SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2022:

Name	Form of business structure	Place of incorporation	Place of operations	Description of shares held	Proportion of effective equity interests held by the Company		Principal activities
					2022	2021	
Directly held:							
Fire Rock International Limited	Limited liability company	The British Virgin Islands	Hong Kong	Ordinary Share of HKD1	100%	100%	Investment holding
Indirectly held:							
Fire Rock (HK)	Limited liability company	Hong Kong	Hong Kong	Ordinary Share of HKD1	100%	100%	Investment holding and licensing browser games
Firerock Capital Pte. Ltd.	Limited liability company	Singapore	Singapore	Registered capital of S\$100	100%	100%	Software and mobile games development, including the game design, programming and graphics
Firerock (note (a))	Limited liability company	Thailand	Thailand	Registered capital of THB6,666,665	66.15%	66.15%	Mobile game operation
Lord Metaverse Co., Ltd. (formerly known as "Tikmi World Co., Ltd" (notes (b) and (c)))	Limited liability company	Thailand	Thailand	Registered capital of THB2,000,000	40.5%	49%	Social network and streaming live video operations

Notes:

- (a) During the year ended 31 December 2021, Firerock received capital injection of approximately THB741,000 (equivalent to approximately HKD173,000) from an independent third party, and the proportion of effective equity interests held by the Company decreased from 73.5% to 66.15%. The transaction is accounted for as an equity transaction with the non-controlling interests without losing control.
- (b) During the year ended 31 December 2022, Lord Metaverse Co., Ltd. (formerly known as Tikmi World Co., Ltd) received capital injection of approximately THB1,041,000 (equivalent to approximately HKD233,000) from independent third parties, and the proportion of effective equity interests held by the Company decreased from 49% to 40.5%. The transaction is accounted for as an equity transaction with the non-controlling interests without losing control.
- (c) The Group can lead on the major financial and operational decisions. Therefore, the Group has substantial control on Tikmi World Co., Ltd. and includes it in the scope of consolidation as a subsidiary.

34. INTERESTS IN SUBSIDIARIES (Continued)

The following table lists out the information relating to certain subsidiaries of the Group which has material non-controlling interests (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

Firerock

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
NCI percentage	33.85%	33.85%
Current assets	43,347	27,826
Non-current assets	1,773	1,357
Current liabilities	8,734	10,095
Non-current liabilities	3,437	1,963
Net assets	32,949	17,125
Carrying amount of NCI	11,153	5,796

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Revenue	114,903	114,963
Profit for the year	22,996	12,938
Total comprehensive income	22,530	11,875
Profit allocated to NCI	7,784	3,687
Dividend paid to NCI	2,270	450
Cash flows from operating activities	23,895	14,459
Cash flows used in investing activities	(976)	(623)
Cash flows used in financing activities	(7,018)	(1,876)

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34. INTERESTS IN SUBSIDIARIES (Continued)

Lord Metaverse Co., Ltd. (formerly known as “Tikmi World Co., Ltd”)

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
NCI percentage	59.5%	50.5%
Current assets	154	1,695
Non-current assets	—	26
Current liabilities	4,185	1,812
Non-current liabilities	—	—
Net liabilities	(4,031)	(91)
Carrying amount of NCI	(2,398)	(46)

	2022 <i>HKD'000</i>	2021 <i>HKD'000</i>
Revenue	129	—
Loss for the year	(4,301)	(154)
Total comprehensive loss	(4,332)	(151)
Loss allocated to NCI	(2,498)	(79)
Dividend paid to NCI	—	—
Cash flows used in operating activities	(3,721)	(351)
Cash flows used in investing activities	(343)	(28)
Cash flows from financing activities	2,785	1,932

35. CAPITAL MANAGEMENT

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern and maximising the return to stakeholders. The Group's capital structure is regularly reviewed and managed by the Directors. The Group is not subject to externally imposed capital requirements. To maintain or adjust capital structure, the Group may adjust dividend payment to shareholders or issue new shares. Adjustments will be made to the capital structure in light of changes in economic conditions affecting the Company or its subsidiaries, and the risk characteristics of the Group's underlying assets.

The Group defines "capital" as including all components of equity. The deficit of the Group at 31 December 2022 was approximately HKD421,254,000 (2021: HKD455,639,000).

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities as defined in Note 4(g):

	2022 HKD'000	2021 HKD'000
Financial assets		
<i>At amortised costs:</i>		
Trade receivables	9,832	9,620
Deposits and other receivables	49,759	35,494
Cash and cash equivalents	119,544	347,755
	179,135	392,869
Financial liabilities		
<i>At amortised costs:</i>		
Lease liabilities	1,749	1,190
Other payables*	16,826	228,007
Promissory notes	584,167	618,813
	602,742	848,010

* Other tax payables are excluded.

Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade receivables, deposits and other receivables, cash and cash equivalents, lease liabilities as well as other payables. Due to their short-term nature, the carrying values of these financial instruments approximate their fair values.

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37. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, deposits, short-term bank deposits and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on the Licensed Operators, third-party game distribution platforms and payment channels. These evaluations focus on their past history of making payments when due and current ability to pay, and take into account information specific to them as well as pertaining to the economic environment in which they operate. Trade receivables are due within 120 days. Normally, the Group does not obtain collateral from the trade debtors. Also, management reviews regularly the recoverable amount of individual trade and other receivables to ensure that adequate impairment provision is made for irrecoverable amounts.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each trade debtors. The default risk of the industry and country in which the trade debtors also has an influence on credit risk but to a lesser extent. As at 31 December 2022, three (2021: three) payment platform operators with the highest trade receivables balance were approximately HKD9,832,000 (2021: HKD9,620,000) and represented 100% (2021: 100%) of the total balance of trade receivables.

The Group applies the simplified approach to providing for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties and related parties.

To measure the ECLs of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the days of initial recognition.

Management has closely monitored the credit qualities and the collectability of trade receivables and considers that the ECL is immaterial with the expected credit loss rate being closed to zero. No loss allowance provision is made for trade receivables for the year ended 31 December 2021 and 2022.

As at 31 December 2022, except for expected credit loss of approximately HKD412,000 (2021: Nil) was made to certain other receivables, the credit risk of the remaining financial assets are considered immaterial as the counterparty have a low risk of default.

The maximum exposure to credit risk in respect of the financial instruments are their carrying values.

The credit risk for liquid funds is considered negligible. Short-term bank deposits and cash and cash equivalents are placed with reputable banks with high quality external credit ratings. There was no recent history of default of cash and cash equivalents and short-term deposits from such financial institutions.

The Group does not hold collateral as security. The Group does not provide any guarantees which would expose the Group to credit risk.

The credit policy has been followed by the Group since prior year and is considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

37. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. Management of the Company is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of business.

The following table shows the remaining contractual maturities at the end of each of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flow (including interest payment computed using contractual rates or, if floating, based on the current rates at the end of the reporting period) and the earliest date the Group may be required to pay.

	Carrying amount <i>HKD'000</i>	Total contractual undiscounted cash flows <i>HKD'000</i>	Within 1 year or on demand <i>HKD'000</i>	More than 1 year but less than 2 years <i>HKD'000</i>	More than 2 years but less than 5 years <i>HKD'000</i>
At 31 December 2022					
Other payables	16,824	16,824	16,824	—	—
Lease liabilities	1,749	1,803	1,028	620	155
Promissory notes	584,167	588,988	416,977	172,011	—
Total	602,740	607,615	434,829	172,631	155

	Carrying amount <i>HKD'000</i>	Total contractual undiscounted cash flows <i>HKD'000</i>	Within 1 year or on demand <i>HKD'000</i>	More than 1 year but less than 2 years <i>HKD'000</i>	More than 2 years but less than 5 years <i>HKD'000</i>
At 31 December 2021					
Trade and other payables	228,007	228,007	228,007	—	—
Lease liabilities	1,190	1,206	787	419	—
Promissory notes	618,813	654,296	273,281	193,084	187,931
Total	848,010	883,509	502,075	193,503	187,931

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31 December 2022

37. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

Other than deposits held in banks, the Group does not have significant interest-bearing assets. The Directors consider the Group's cash flow interest rate risk on bank balances is not significant due to low level of deposit interest rate.

Lease liabilities bear weighted average incremental borrowing rate of 4.75% as at 31 December 2022 and 2021. The Directors consider that the interest rate risk is not significant as the possible change in the interest rate will not have significant impact on the Group's consolidated financial statements.

As at 31 December 2022 and 2021, the Group has no interest-bearing liabilities, which may expose the Group to any interest rate risk.

(d) Currency risk

The Group is exposed to currency risk primarily through assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily EUR, USD and RMB.

Foreign currency risk arises from the Group's financial assets and financial liabilities, which were denominated in a currency other than the functional currency in net position of each subsidiary at the end of each reporting period are as follows:

	2022 HKD'000	2021 HKD'000
Net monetary assets		
EUR	43	46
USD	98,441	149,385
RMB	(576,567)	(625,697)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk (Continued)

The following table indicates the approximate effect on the profit for the year in response to reasonably possible changes in the foreign exchange rates, with all other variables held constant, to which the Group has significant exposure at the end of each reporting period.

	Year ended 31 December 2022			
	Appreciates against HKD	Increase/ (decrease) in profit for the year and retained profits HKD'000	Depreciates against HKD	(Decrease)/ increase in profit for the year and retained profits HKD'000
EUR	5%	2	5%	(2)
USD	1%	980	1%	(980)
RMB	5%	(28,828)	5%	28,828

	Year ended 31 December 2021			
	Appreciates against HKD	Decrease/ (increase) in loss for the year and retained profits HKD'000 (restated)	Depreciates against HKD	(Increase)/ decrease in loss for the year and retained profits HKD'000 (restated)
EUR	5%	2	5%	(2)
USD	1%	1,490	1%	(1,490)
RMB	5%	(31,285)	5%	31,285

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities, exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the above table represent an aggregation of the effects on Groups' profit for the year and equity measured in the respective foreign currencies, translated into HKD at the exchange rate ruling at the end of reporting period for presentation purposes. The measures to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

38. CAPITAL COMMITMENT

As at 31 December 2022, The Group had capital commitment, which is contracted but not provided for, in relation to the acquisition of Summer Mountain Group of RMB67,500,000 as disclosed in note 20(b) and investment in a private fund of USD2,500,000 as disclosed in note 20(c).

39. 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) As disclosed in note 23, the Group has fully settled the outstanding balances due to Shenzhen Fire Element of approximately HKD7,664,000 before the date of approval of the consolidated financial statements.