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火岩控股
FIRE ROCK HOLDINGS

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS

- For the year ended 31 December 2023, the Group's revenue amounted to approximately HKD134.9 million (2022: approximately HKD115.1 million), representing an increase of approximately 17.2%.
- For the year ended 31 December 2023, the Group's gross profit amounted to approximately HKD107.5 million (2022: approximately HKD76.6 million), representing an increase of approximately 40.3%.
- For the year ended 31 December 2023, the Group's profit for the year amounted to approximately HKD572.5 million (2022: approximately HKD35.5 million).
- The Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022.

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

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Revenue	5	134,927	115,063
Direct costs		<u>(27,388)</u>	<u>(38,470)</u>
Gross profit		107,539	76,593
Other income	5	594,444	50,920
Changes in fair values of financial assets at fair value through profit or loss		(2,255)	—
Research costs		(19,780)	—
Distribution costs		(55,471)	(42,028)
Administrative expenses		(31,670)	(22,794)
Loss on disposals of subsidiaries		(2,880)	—
Finance costs		<u>(9,138)</u>	<u>(18,505)</u>
Profit before income tax	6	580,789	44,186
Income tax expense	7	<u>(8,271)</u>	<u>(8,699)</u>
Profit for the year		<u>572,518</u>	<u>35,487</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		1,446	935
Reclassification of exchange difference upon disposal of a subsidiary		<u>(179)</u>	<u>—</u>
Other comprehensive income for the year		<u>1,267</u>	<u>935</u>
Total comprehensive income for the year		<u>573,785</u>	<u>36,422</u>
Profit attributable to:			
Owners of the Company		559,911	30,201
Non-controlling interests		<u>12,607</u>	<u>5,286</u>
		<u>572,518</u>	<u>35,487</u>
Total comprehensive income attributable to:			
Owners of the Company		561,081	31,312
Non-controlling interests		<u>12,704</u>	<u>5,110</u>
		<u>573,785</u>	<u>36,422</u>
		<i>HKD cents</i>	<i>HKD cents</i>
Earnings per share			
Basic and diluted	9	<u>14.58</u>	<u>0.79</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HKD'000	2022 HKD'000
Non-current assets			
Property, plant and equipment		5,077	3,200
Intangible assets	10	15,350	3,218
Right-of-use assets		1,172	1,779
Financial assets at fair value through profit or loss		27,511	—
Deposits		84	49,759
Deferred tax assets		2,170	—
		<u>51,364</u>	<u>57,956</u>
Current assets			
Trade receivables	11	20,645	9,832
Prepayment, deposits and other receivables		3,372	2,380
Cash and cash equivalents		85,492	119,544
		<u>109,509</u>	<u>131,756</u>
Current liabilities			
Lease liabilities		708	987
Other payables and accruals	12	12,663	17,881
Deferred revenue		11	7
Promissory notes	13	—	416,126
Tax payables		4,923	3,725
		<u>18,305</u>	<u>438,726</u>
Net current assets/(liabilities)		<u>91,204</u>	<u>(306,970)</u>
Total assets less current liabilities		<u>142,568</u>	<u>(249,014)</u>
Non-current liabilities			
Lease liabilities		507	762
Promissory notes	13	—	168,041
Deferred tax liabilities		1,740	3,437
		<u>2,247</u>	<u>172,240</u>
Net assets/(liabilities)		<u>140,321</u>	<u>(421,254)</u>
Equity			
Share capital	14	3,200	3,200
Reserves		127,872	(433,209)
Total equity attributable to owners of the Company		131,072	(430,009)
Non-controlling interests		9,249	8,755
Total equity/(deficit)		<u>140,321</u>	<u>(421,254)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023 were approved and authorised for issue by the board of directors on 28 March 2024.

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

(a) Adoption of new/revised Hong Kong Financial Reporting Standards — effective 1 January 2023

The Group has adopted the following new/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:

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and removed certain immaterial accounting policies.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The Group has applied the amendments for the first time in the current year retrospectively. The Group recognises a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with: (i) right-of-use assets and lease liabilities; and (ii) decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset; and recognises the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings at 1 January 2022.

However, there was no material impact on the consolidated statement of financial position because the balances qualify for offset under paragraph 74 of HKAS 12. There was also no material impact on the retained profits at 1 January 2022 as a result of the change. The key impact on the Group is related to the disclosure of components of deferred tax assets and liabilities recognised.

(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:

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 ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

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

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after a date to be determined

The Group will apply these standards to its consolidated financial statements for the first time in the annual period beginning on 1 January 2024 or later as appropriate. The Group is currently evaluating the potential impact of these standards on its consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

4. SEGMENT INFORMATION

(a) Reportable segments

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

For the years ended 31 December 2023 and 2022, 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

	2023 <i>HKD’000</i>	2022 <i>HKD’000</i>
Revenue from contracts with customers:		
Game and software development and publishing	3,022	160
Game operation and publishing	<u>131,905</u>	<u>114,903</u>
	<u><u>134,927</u></u>	<u><u>115,063</u></u>

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

Information regarding the Group's reportable segments for the years ended 31 December 2023 and 2022 is set out below.

	For the year ended 31 December 2023		
	Game and software development and publishing <i>HKD'000</i>	Game operation and publishing <i>HKD'000</i>	Total <i>HKD'000</i>
Revenue from external customers	<u>3,022</u>	<u>131,905</u>	<u>134,927</u>
Reportable segment (loss)/profit	(40,501)	44,752	4,251
Interest income	36	104	140
Government grants	210	—	210
Finance costs	61	9	70
Depreciation and amortisation	1,619	645	2,264
Income tax expense	2,634	5,637	8,271
Reportable segment assets	104,321	41,646	145,967
Reportable segment liabilities	5,773	13,096	18,869
Additions to non-current assets [#]	<u>14,699</u>	<u>649</u>	<u>15,348</u>

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

[#] Additions to non-current assets during the year include all non-current assets other than financial instruments and deferred tax assets.

Reconciliation of reportable segment profit or loss, assets and liabilities

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
<i>Profit before income tax</i>		
Reportable segment profit	4,251	15,162
Unallocated interest income	6	8
Unallocated corporate income	<u>576,532</u>	<u>29,016</u>
Consolidated profit before income tax	<u><u>580,789</u></u>	<u><u>44,186</u></u>
<i>Assets</i>		
Reportable segment assets	145,967	146,116
Unallocated corporate assets	<u>14,906</u>	<u>43,596</u>
Consolidated total assets	<u><u>160,873</u></u>	<u><u>189,712</u></u>
<i>Liabilities</i>		
Reportable segment liabilities	18,869	18,654
Unallocated corporate liabilities	<u>1,683</u>	<u>592,312</u>
Consolidated total liabilities	<u><u>20,552</u></u>	<u><u>610,966</u></u>

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

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

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Primary geographical markets*		
Asia Pacific	<u>134,927</u>	<u>115,063</u>

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

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Timing of revenue recognition		
At a point in time	<u>134,927</u>	<u>115,063</u>

The Group's non-current assets (other than financial instruments and deferred tax assets) by geographical location of the assets are detailed below:

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Non-current assets		
Thailand	1,733	1,773
People's Republic of China (the "PRC")	622	—
Hong Kong	857	51,015
Singapore	18,471	5,168
	<u>21,683</u>	<u>57,956</u>

(c) **Information about major Licensed Operators**

There was no revenue from customers individually contributing over 10% to the total revenue of the Group for the years ended 31 December 2023 and 2022.

5. REVENUE AND OTHER INCOME

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Revenue		
Game and software development and publishing	3,022	160
Game operation and publishing	131,905	114,903
	<u>134,927</u>	<u>115,063</u>
Other income		
Government grants	210	212
Interest income	146	149
Exchange gain, net	19,191	50,532
Surrender of promissory notes	574,716	—
Others	181	27
	<u>594,444</u>	<u>50,920</u>

6. PROFIT BEFORE INCOME TAX

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

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Auditors' remuneration:		
— Audit service	1,761	2,000
Depreciation of property, plant and equipment*	1,192	822
Depreciation of right-of-use assets*	1,072	1,143
Short-term leases expenses	378	595
Legal and professional fees	9,002	2,453
Exchange gain, net	(17,134)	(50,532)
Impairment loss on property, plant and equipment	—	302
Loss on disposals of subsidiaries	2,880	—
Expected credit loss on other receivables	238	412
	<u>238</u>	<u>412</u>

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

7. INCOME TAX EXPENSE

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Current year — Thailand Corporate Income Tax		
— Tax for the year	9,158	6,435
— Over-provision in respect of prior years	(88)	—
— Withholding tax on dividends	3,054	454
	<u>12,124</u>	<u>6,889</u>
Deferred tax	(3,853)	1,810
	<u>8,271</u>	<u>8,699</u>

8. DIVIDENDS

The Board does not recommend the payment of any final dividend for the years ended 31 December 2023 and 2022.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to owners of the Company of approximately HKD559,911,000 (2022: HKD30,201,000) and the weighted average number of 3,840,000,000 ordinary shares (2022: 3,840,000,000 ordinary shares) in issue during the year ended 31 December 2023.

Diluted earnings per share are the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2023 and 2022.

10. INTANGIBLE ASSETS

	Development costs HKD'000
Cost	
At 1 January 2022	—
Additions	3,146
Exchange alignment	72
	<hr/>
At 31 December 2022 and 1 January 2023	3,218
Additions	11,894
Exchange alignment	238
	<hr/>
At 31 December 2023	15,350
	<hr/>
Accumulated amortisation and impairment	
At 1 January 2022, 31 December 2022 and 31 December 2023	—
	<hr/>
Net carrying value	
At 31 December 2023	15,350
	<hr/> <hr/>
At 31 December 2022	3,218
	<hr/> <hr/>

11. TRADE RECEIVABLES

The Group normally allows a credit period within 30 days to its third party game distribution platforms and payment channels.

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

	2023 HKD'000	2022 HKD'000
0–30 days	10,486	9,832
31–60 days	8,192	—
61–90 days	47	—
91–180 days	1,629	—
181–365 days	291	—
	<hr/>	<hr/>
	20,645	9,832
	<hr/> <hr/>	<hr/> <hr/>

12. OTHER PAYABLES AND ACCRUALS

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
Accruals	11,210	9,160
Other tax payables	1,453	1,055
Amounts due to a deconsolidated subsidiary (<i>note</i>)	—	7,664
Other payables	—	2
	<u>12,663</u>	<u>17,881</u>

Note:

The balance represents the amounts owed by the Company and certain subsidiaries of the Group to Shenzhen Fire Element. The amounts are interest-free, unsecured and repayable on demand. The Group has fully settled the outstanding balances during the year ended 31 December 2023.

13. PROMISSORY NOTES

	2023 <i>HKD'000</i>	2022 <i>HKD'000</i>
At beginning of the year	584,167	618,813
Accrued interest expenses	8,231	17,096
Imputed interest accrued	837	1,307
Surrender of promissory notes (<i>note</i>)	(574,716)	—
Exchange alignment recognised in profit or loss	(18,519)	(53,049)
	<u>—</u>	<u>584,167</u>

Note:

On 30 June 2023, the Company, the promissory notes holders and their respective ultimate beneficial owners have all agreed upon negotiation to procure all the promissory notes holders to surrender the Promissory Notes to the Company and give up the right to the outstanding principal and the respective interests payable as at 30 June 2023.

14. SHARE CAPITAL

	Number of ordinary shares	Amount <i>HKD'000</i>
Authorised:		
At 31 December 2022, 1 January 2023 and 31 December 2023	<u>24,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
At 31 December 2022, 1 January 2023 and 31 December 2023	<u>3,840,000,000</u>	<u>3,200</u>

15. DISPOSALS OF SUBSIDIARIES

(a) Disposal of Lord Metaverse Co. Ltd. (“Lord Metaverse”)

On 6 March 2023, the Group disposed of its entire equity interest in Lord Metaverse at a cash consideration of approximately HKD185,000.

The carrying amounts of the assets and liabilities on the date of disposal were as follows:

	<i>HKD'000</i>
Property, plant and equipment	—
Bank balances and cash	100
Other payables	(6)
Amounts due to the Group	<u>(5,203)</u>
Net liabilities	(5,109)
Release of foreign exchange reserve	(179)
Release of non-controlling interests	3,041
Waiver of receivables from the disposal group	5,203
Loss on disposal of Lord Metaverse	<u>(2,771)</u>
Total consideration satisfied by cash	<u>185</u>
Net cash outflow arising on disposal	
Cash and cash equivalents disposed of	<u>(100)</u>
	<u>(100)</u>

Subsequent to the year ended 31 December 2023 and before the date of this announcement, the Group received the consideration of HKD185,000.

(b) Disposal of Tak Shing International Holdings Limited (“Tak Shing International”)

On 30 November 2023, the Group disposed of its entire equity interest in Tak Shing International at a consideration of HKD10,000.

The carrying amounts of the assets and liabilities on the date of disposal were as follows:

	<i>HKD'000</i>
Bank balances and cash	127
Other payables	<u>(8)</u>
Net assets	119
Loss on disposal of Tak Shing International	<u>(109)</u>
Total consideration satisfied by cash	<u>10</u>
Net cash outflow arising on disposal	
Cash and cash equivalents disposed of	<u>(127)</u>
	<u><u>(127)</u></u>

Subsequent to the year ended 31 December 2023 and before the date of this announcement, the Group received the consideration of HKD10,000.

16. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2023, the Group had the following major non-cash transactions:

- The equity interest in Summer Mountain Limited of approximately HKD13,668,000 was initially recognised in financial assets at fair value through profit or loss by transferring the same amount from the deposits paid; and
- The equity interest in a private fund of approximately HKD16,000,000 was initially recognised in financial assets at fair value through profit or loss by transferring the same amount from the deposits paid.

17. EVENTS AFTER THE REPORTING PERIOD

Apart from the events as disclosed elsewhere in the consolidated financial statements, the Group did not have other material events after the reporting period and up to the date of this announcement.

EXTRACT FROM INDEPENDENT AUDITOR’S REPORT

The following is an extract from the independent auditor’s report of the Company prepared by Crowe (HK) CPA Limited, the auditor of the Company, for the year ended 31 December 2023.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter 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 2023, 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

Comparative information

As set out in note 19(a) to the consolidated financial statements for the year ended 31 December 2023, the Group had a refundable deposit of USD2,500,000 (equivalent to approximately HKD19,500,000) (the “**Refundable Deposit**”) at 31 December 2022 paid 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. 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 Refundable Deposit 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, for the purpose of audit report issued on 27 July 2023 for the year ended 31 December 2022, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves:

- whether the transfer of the aforesaid shares in the Target has been submitted and in the process of approval by the relevant regulatory body; and
- whether any impairment loss to this Refundable Deposit is necessary for the year ended 31 December 2022.

Our auditor’s report on the consolidated financial statements of the Group for the year ended 31 December 2022 was modified accordingly.

As disclosed in note 19(a), the Refundable Deposit has been fully refunded to the Group on 15 August 2023. Accordingly, the Refundable Deposit was derecognised from the consolidated financial statements of the Group for the year ended 31 December 2023.

Accordingly, our opinion on the consolidated financial statements for the year ended 31 December 2023 is also modified because of the possible effects of this matter on the comparability of the current year’s figures and the corresponding figures.

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

THE COMPANY’S VIEW ON THE QUALIFIED OPINION

The Directors and the Audit Committee were of the view that the qualified opinion only affected the opening balance on the consolidated financial statements of the Company for the year ended 31 December 2023.

There is no disagreement by the Board, the management nor the Audit Committee with the position taken by the Group’s auditor regarding the qualified opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Overview

The Group is a well-established game developer, publisher and operator. During the year, the Group strategically expanded its main business to more diversified services, including publishing Internet application technology business and investment business. For the year ended 31 December 2023, the profit attributable to equity holders of the Company was HKD559.9 million, while for the year ended 31 December 2022, the profit attributable to equity holders of the Company was HKD30.2 million. The increase was mainly due to the one-time non-recurring other income as stated in the positive profit alert announcement of the Company dated 19 March 2024 and given the increase in market instability, the increase may not be sustainable in the future.

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

Revenue

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

For the year ended 31 December 2023, the Group's revenue was approximately HKD134.9 million, representing an increase of approximately HKD19.8 million from approximately HKD115.1 million for the year ended 31 December 2022. The increase was mainly due to increase in revenue from our game publishing and operation segment.

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			
	2023		2022	
	<i>HKD'000</i>	%	<i>HKD'000</i>	%
Asia Pacific	<u>134,927</u>	<u>100.0</u>	<u>115,063</u>	<u>100.0</u>

Direct costs

The Group's direct costs mainly consisted of staff costs and benefits, 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			
	2023		2022	
	<i>HKD'000</i>	%	<i>HKD'000</i>	%
Staff costs and benefits	1,370	5.0	654	1.7
Self-operated channel costs	19,179	70.0	18,799	48.9
Others	<u>6,839</u>	<u>25.0</u>	<u>19,017</u>	<u>49.4</u>
Total	<u>27,388</u>	<u>100.0</u>	<u>38,470</u>	<u>100.0</u>

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

Gross profit and gross profit margin

Our gross profit for the year ended 31 December 2023 amounted to approximately HKD107.5 million, representing an increase of approximately HKD30.9 million as compared to approximately HKD76.6 million for the year ended 31 December 2022. Our gross profit margin for the year ended 31 December 2023 amounted to approximately 79.7% and approximately 66.6% for the year ended 31 December 2022. The increase in our gross profit margin was mainly due to the effective cost control on the game testing conducted by third-party service providers.

Other income

Our other income mainly consisted of interest income of bank deposits, government grants, exchange gains, surrender of promissory notes to the Company and other gains. For the year ended 31 December 2023, our other income was approximately HKD594.4 million, compared with other income of approximately HKD50.9 million in the same period of 2022. The increase in other income was mainly due to the surrender of promissory notes to the Company as disclosed in the announcement dated 30 June 2023.

Research costs

For the year ended 31 December 2023, the Group incurred HKD19.8 million on research costs as several projects were under research phases in 2023. No research costs were recognised for the year ended 31 December 2022 as there were no projects under research phases in 2022.

Distribution costs

Our distribution costs for the year ended 31 December 2023 amounted to approximately HKD55.5 million, representing an increase of approximately HKD13.5 million as compared to approximately HKD42.0 million in the same period of 2022. The increase was mainly due to the increase in the advertising and promotional expenses in order to further promote our games to the game players.

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 2023 amounted to approximately HKD31.7 million, representing an increase of approximately 39.0% as compared to approximately HKD22.8 million for the year ended 31 December 2022. The increase was mainly attributable to the increase in professional fees paid in relation to the Group's resumption of trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in the second half of 2023.

Profit for the year

As a result of the above, profit attributable to equity owners of the Company for the year ended 31 December 2023 was approximately HKD559.9 million whereas the profit attributable to equity owners of the Company for the year ended 31 December 2022 was approximately HKD30.2 million. The increase was mainly due to the one-time non-recurring other income, and given the increase in market instability, the increase may not be sustainable in the future.

LIQUIDITY AND FINANCIAL RESOURCES

For the year ended 31 December 2023, 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 2023, the Group deposited its capital with commercial banks in Hong Kong, Thailand, the PRC 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 2023, our cash and cash equivalents amounted to approximately HKD85.5 million, compared with approximately HKD119.5 million as of 31 December 2022, which primarily consisted of cash at bank and cash on hand mainly denominated in USD (as to approximately 67.4%), THB (as to approximately 22.8%), HKD (as to approximately 3.8%), RMB (as to approximately 4.6%) and SGD (as to approximately 1.4%).

Capital expenditures

Our capital expenditures comprised expenditures on the purchase of furniture and office equipment and leasehold improvements. For the year ended 31 December 2023, our total capital expenditures amounted to approximately HKD3.0 million, representing the purchase of furniture and office equipment and leasehold improvement (2022: approximately HKD2.1 million, including the purchase of furniture and office equipment). We funded our capital expenditure by using our existing cash and cash equivalents held by the Group.

Capital Commitment

As at 31 December 2023, the Group did not have any capital 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 of the Stock Exchange since 27 June 2019. The capital structure of the Company comprises issued share capital and reserves.

BORROWING AND GEARING RATIO

As at 31 December 2023, the Group did not have any short-term or long term borrowings.

As at 31 December 2023, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 12.8% (31 December 2022: approximately 322.0%).

CHARGE ON GROUP ASSETS

As at 31 December 2023, no asset of the Group was pledged as security for bank borrowings or any other financing facilities (31 December 2022: Nil).

INFORMATION ON EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had 108 employees (31 December 2022: 71), who were mainly based in Thailand, Singapore, the PRC and Hong Kong. The table below sets forth the number of employees by function as at 31 December 2023 and 2022:

Department	2023		2022	
	<i>Number of employees</i>	<i>% of total</i>	<i>Number of employees</i>	<i>% of total</i>
Management	6	5.6	11	15.5
Project development	43	39.8	17	23.9
Game design	15	13.9	5	7.0
Programming	16	14.8	7	9.9
Art	12	11.1	5	7.0
Project Support	41	38.0	34	47.9
Marketing	22	20.4	6	8.5
Licensing and operator support	19	17.6	22	31.0
Information technology	—	—	6	8.4
Finance and administration	18	16.6	9	12.7
Total	108	100.0	71	100.0

The total remuneration of the employees of the Company was approximately HKD35.4 million for the year ended 31 December 2023 (2022: approximately HKD10.5 million).

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

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

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

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

In March 2023, the Group disposed its entire equity interest in Lord Metaverse Co., Ltd. at a cash consideration of THB810,000 (approximately HKD185,000).

Save as disclosed, the Directors consider that there was no other significant investment in or material acquisition and disposal of subsidiaries and associated companies by the Company.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the date of this announcement, there was no plan authorised by the Board for material investments or additions of capital assets.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant unrecorded contingent liabilities (31 December 2022: Nil).

FOREIGN EXCHANGE RISKS

The functional currency of the Group is HKD and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD, THB, RMB and SGD. All of the revenue are denominated in currencies other than the functional currency of the operating units making the revenue for the year ended 31 December 2023 and 2022. Therefore, foreign exchange risk primarily arose from the recognition of assets upon the Group's receipt or planned receipt of foreign currencies from overseas partners.

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

USE OF PROCEEDS FROM THE PLACING

The Company's shares were listed on GEM of the Stock Exchange on 18 February 2016 and net proceeds from the placing (the "**Placing**") were approximately HKD28.9 million. Listing of the Shares has been transferred to the Main Board from GEM on 27 June 2019. As at 31 December 2023, the Group has spent approximately HKD27.8 million, in aggregate, of the proceeds from the Placing (approximately HKD7.2 million on development of new games on mobile devices platform, approximately HKD7.2 million on development of new browser games, approximately HKD2.9 million on the continual optimisation of our existing games on various platforms, approximately HKD2.9 million on enhancing our game development capabilities, approximately HKD3.6 million on the acquisition/investment of game developers and related companies, approximately HKD1.5 million for working capital and other general corporate uses, and approximately HKD2.5 million for seeking opportunities to obtain/acquire the adaptation rights of appropriate source materials).

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

As at 31 December 2023, the Company's use of proceeds from the Placing is set out as follows:

			31 December 2023	31 December 2023	31 December 2023	31 December 2023
	Original allocation <i>HKD million</i>	Original allocation <i>Percentage</i>	Amount used <i>HKD million</i>	Amount used <i>Percentage</i>	Amount unused <i>HKD million</i>	Amount unused <i>Percentage</i>
Continual optimisation of our existing games on various platforms	2.9	10.0%	2.9	10.0%	—	—
Development of new games — Browser games	7.2	25.0%	7.2	25.0%	—	—
Development of new games — Mobile games	7.2	25.0%	7.2	25.0%	—	—
Seeking opportunities to obtain/acquire the adaptation rights of appropriate source materials	3.6	12.5%	2.5	8.7%	1.1	3.8%
Acquiring of/investment in game developers and related companies	3.6	12.5%	3.6	12.5%	—	—
Enhancement and diversification of our game development capabilities	2.9	10.0%	2.9	10.0%	—	—
Working capital and other general corporate purposes	1.5	5.0%	1.5	5.0%	—	—
Total	<u>28.9</u>	<u>100.0%</u>	<u>27.8</u>	<u>96.2%</u>	<u>1.1</u>	<u>3.8%</u>

EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to owners of the Company of approximately HKD559.9 million for the year ended 31 December 2023 (2022: approximately HKD30.2 million) and the weighted average number of 3,840,000,000 ordinary shares (2022: 3,840,000,000 ordinary shares) in issue during the year.

The calculation of diluted earnings per share are the same as the calculation of basic earnings per share as there are no dilutive potential ordinary shares in existence during the years ended 31 December 2023 and 2022 respectively.

RISK FACTORS FACED BY THE COMPANY AND RISK MITIGATION MEASURES

The Group is principally engaged in the development and operation of software and games in different language versions and licensing our games to different licensed operators for operation or operating by the Group internationally. The major risks involved in the Group's business include credit risks, interest rate risks, liquidity risks, currency risks and business risks. Details of the above-mentioned major risks and risk mitigation measures will be set forth in the consolidated financial statements in the annual report for the year ended 31 December 2023.

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

(i) Risks relating to our business

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

(ii) Risks relating to our industry

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

(iii) Risks relating to policies

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

RISK MANAGEMENT

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

ENVIRONMENT POLICY AND PERFORMANCE

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

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

RELATIONSHIP WITH STAKEHOLDERS

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

FINAL DIVIDENDS

Dividend Policy

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

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

Dividends

The Board does not recommend the payment of any final dividend for the year ended 31 December 2023 and 2022.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Shareholders 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 in due course.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). In the opinion of the Directors, the Company has complied with the code provisions set out in the Code for the year ended 31 December 2023.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirms that the Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2023.

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 2023.

AUDIT COMMITTEE

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

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

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

The Group's audited annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee. The Audit Committee is of the view that the preparation of the Group's audited financial statements for the year ended 31 December 2023 complied with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or no assurance conclusion has been expressed by Crowe (HK) CPA Limited on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND DESPATCH OF ANNUAL REPORT

This announcement will be published on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.firerock.hk. The annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules will be despatched to the shareholders and published on the above websites in due course.

By order of the Board
Fire Rock Holdings Limited
Wong Yan
Executive Director

Hong Kong, Thursday, 28 March 2024

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