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

2021
ANNUAL REPORT

CONTENTS

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
"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
"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
"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
"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
"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

DEFINITION

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USA"	the United States of America
"USD"	United States dollars, the lawful currency of the United States
"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
"Transfer of Listing"	the transfer of listing of the Company from GEM to the Main Board on 27 June 2019
"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 Zhiwei[1] (Chief Executive Officer)
Mr. GAO Bo[2]
Mr. CHEN Di[3]
Ms. WONG Yan[4]
Mr. ZHOU Kun[5]
Mr. SU Yi[6]

NON-EXECUTIVE DIRECTORS

Mr. ZHANG Yan[7]
Ms. YANG Kan[8]
Mr. HUANG Yong[9]

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TAM Chik Ngai Ambrose[10]
Ms. CHOW Woon San Shirley[11]
Mr. LOK Tze Bong[12]
Mr. CHAN King Fai[13]
Mr. YANG Zhen[14]
Ms. ZHUANG Renyan[15]

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. Mr. Chen Di was re-designated from an independent non-executive Director to an executive Director on 19 March 2021
4. Ms. Wong Yan was appointed as an executive Director on 16 June 2023
5. Mr. Zhou Kun resigned as an executive Director on 12 April 2023
6. Mr. Su Yi was appointed as the Chief Executive Officer on 11 February 2021; and resigned as an executive Director and the Chief Executive Officer on 20 December 2021
7. Mr. Zhang Yan resigned as a non-executive Director on 30 May 2023
8. Ms. Yang Kan resigned as a non-executive Director on 30 May 2023
9. Mr. Huang Yong was re-designated from an executive Director to a non-executive Director and resigned as the Chief Executive Officer on 11 February 2021; and resigned as a non-executive Director on 20 December 2021
10. Mr. Tam Chik Ngai Ambrose was appointed as an independent non-executive Director on 30 March 2023
11. Ms. Chow Woon San Shirley was appointed as an independent non-executive Director on 30 March 2023
12. Mr. Lok Tze Bong was appointed as an independent non-executive Director on 12 April 2023
13. Mr. Chan King Fai resigned as an independent non-executive Director on 30 May 2023
14. Mr. Yang Zhen resigned as an independent non-executive Director on 12 April 2023
15. 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

AUDIT COMMITTEE

Mr. TAM Chik Ngai Ambrose[1] (Chairman)
Ms. CHOW Woon San Shirley[2]
Mr. LOK Tze Bong[3]
Mr. CHAN King Fai[4]
Mr. YANG Zhen[5]
Ms. ZHUANG Renyan[6]
Mr. CHEN Di[7]

REMUNERATION COMMITTEE

Mr. TAM Chik Ngai Ambrose[1] (Chairman)
Ms. CHOW Woon San Shirley[2]
Mr. LOK Tze Bong[3]
Mr. CHAN King Fai[4]
Mr. YANG Zhen[5]
Ms. ZHUANG Renyan[6]
Mr. HUANG Yong[8]
Mr. CHEN Di[7]
Mr. SU Yi[9]

NOMINATION COMMITTEE

Ms. CHOW Woon San Shirley[2] (Chairman)
Mr. TAM Chik Ngai Ambrose[1]
Mr. LOK Tze Bong[3]
Mr. ZHANG Yan[10]
Mr. YANG Zhen[5]
Ms. ZHUANG Renyan[6]
Mr. CHEN Di[7]

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. Chen Di resigned as a member of the audit committee, the chairman of the remuneration committee and a member of the nomination committee on 19 March 2021
8. Mr. Huang Yong resigned as a member of the remuneration committee on 11 February 2021
9. Mr. Su Yi was appointed as a member of the remuneration committee on 11 February 2021, and resigned as a member of the remuneration committee on 20 December 2021
10. 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)
Mr. SU Yi (appointed on 11 February 2021,
resigned on 20 December 2021)
Mr. HUANG Yung (resigned on 11 February 2021)

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,
Singapore117674

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

China Merchant Bank, Shenzhen Branch
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

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
		(restated)	(restated)	(restated)	(restated)
Revenue	**1,035,215**	586,100	345,420	189,860	92,837
Direct costs	**(168,134)**	(46,014)	(22,474)	(19,551)	(13,265)
Gross profit	**867,081**	540,086	322,946	170,309	79,572
(Loss)/profit for the year	**(1,211,457)**	388,091	237,266	106,104	50,172

ASSETS AND LIABILITIES

	As at 31 December				
	2021	2020	2019	2018	2017
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
		(restated)	(restated)	(restated)	(restated)
Non-current assets	**38,694**	63,491	38,525	13,194	11,708
Current assets	**358,595**	844,416	440,596	230,210	142,978
Total assets	**397,289**	907,907	479,121	243,404	154,686
Non-current liabilities	**368,695**	43,073	29,104	10,233	5,795
Current liabilities	**484,233**	47,023	21,240	13,862	9,569
Total liabilities	**852,928**	90,096	50,344	24,095	15,364
Total (deficit)/equity	**(455,639)**	817,811	428,777	219,309	139,322

MAJOR FINANCIAL RATIOS

	For the year ended 31 December				
	2021	2020	2019	2018	2017
Return on equity	**N/A**	64.3%	72.5%	58.2%	40.8%
Return on total assets	**N/A**	57.8%	65.0%	52.4%	37.3%
Current ratio (times)	**0.7**	18.0	20.7	16.6	14.9

REVENUE HIGHLIGHTS

	For the year ended 31 December									
	2021		2020		2019		2018		2017	
	HKD'000	***%***	*HKD'000*	*%*	*HKD'000*	*%*	*HKD'000*	*%*	*HKD'000*	*%*
			(restated)		(restated)		(restated)		(restated)	
The PRC	**920,252**	**88.9**	511,616	87.3	329,370	95.4	188,258	99.1	88,298	95.1
Asia Pacific	**114,963**	**11.1**	73,613	12.6	15,329	4.4	782	0.4	1,231	1.4
Europe	**–**	**–**	871	0.1	705	0.2	820	0.5	1,061	1.1
North America	**–**	**–**	–	–	26	0.0	–	–	2,247	2.4
	1,035,215	**100.0**	586,100	100.0	345,430	100.0	189,860	100.0	92,837	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 2021, the loss attributable to equity holders of the Company was approximately HKD1,213.1 million, while for the year ended 31 December 2020, the profit attributable to equity holders of the Company was approximately HKD386.2 million.

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

Revenue

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

For the year ended 31 December 2021, the Group's revenue was approximately HKD1,035.2 million, representing an increase of approximately HKD449.1 million from approximately HKD586.1 million for the year ended 31 December 2020, which was primarily due to the acquisition of Tak Shing International at the beginning of the year.

	For the year ended 31 December			
	2021		2020	
	HKD'000	***%***	*HKD'000* (restated)	*%*
Revenue from games directly	**1,027,622**	**99.3**	560,723	95.7
— Self-developed games published by the Group	**921,730**	**89.1**	73,440	12.6
— Launched by other operators	**49,101**	**4.7**	487,283	83.1
— Third party's licensed games published by the Group	**56,791**	**5.5**	—	—
Intellectual property rights licensing (e.g. game operation platform program)	**7,593**	**0.7**	25,377	4.3
	1,035,215	**100.0**	586,100	100.0

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			
	2021		2020	
	HKD'000	***%***	*HKD'000* (restated)	*%*
The PRC (place of domicile)	**920,252**	**88.9**	511,616	87.3
Asia Pacific	**114,963**	**11.1**	73,613	12.6
Europe	**—**	**—**	871	0.1
Total	**1,035,215**	**100.0**	586,100	100.0

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

Direct costs

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

	For the year ended 31 December			
	2021		2020	
	HKD'000	***%***	*HKD'000* (restated)	*%*
Staff costs and benefits	**9,571**	**5.7**	10,096	21.9
Amortisation of intangible assets	**63,416**	**37.7**	7,542	16.4
Self-operated channel costs	**56,885**	**33.8**	14,697	32.0
Others	**38,262**	**22.8**	13,679	29.7
Total	**168,134**	**100.0**	46,014	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. In general, the increase in direct costs for the year ended 31 December 2021 was due to the acquisition of Tak Shing International at the beginning of the year.

Gross profit and gross profit margin

Our gross profit for the year ended 31 December 2021 amounted to approximately HKD867.1 million, representing an increase of approximately HKD327.0 million as compared to approximately HKD540.1 million for the year ended 31 December 2020. Our gross profit margin for the year ended 31 December 2021 amounted to approximately 83.8% and approximately 92.1% for the year ended 31 December 2020. The decrease in our gross profit margin was mainly due to acquisition of Tak Shing International at the beginning of the year.

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 2021, our other income was approximately HKD27.0 million, compared with the income of approximately HKD13.7 million in the same period of 2020. Such increase was mainly attributable to the increase in government grants from the PRC government for awarding the contribution to economic growth and technology development.

Research costs

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

For the year ended 31 December 2021, the Group's overall research costs increased to approximately HKD42.8 million as compared to HKD0.3 million for the year ended 31 December 2020. The increase was mainly attributable to the increase in costs incurred for preparing new versions of mobile games and the related research and development activities, and the substantial increase in overseas development cost as a result of the unexpected changes in market environment.

Distribution costs

Our distribution costs for the year ended 31 December 2021 amounted to approximately HKD85.1 million, representing an increase of approximately HKD47.2 million as compared to approximately HKD37.9 million in the same period of 2020. The increase was mainly due to the increase in advertising and promotional expenses of overseas self-operated games.

Administrative expenses

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

The Group's administrative expenses for the year ended 31 December 2021 amounted to approximately HKD99.3 million, representing an increase of approximately HKD55.6 million as compared to approximately HKD43.7 million for the year ended 31 December 2020. The increase in the Group's administrative expenses was mainly attributable to the increase in salaries and employee benefits of our administrative staff, depreciation of the property, plant and equipment and the right-of-use assets, and the increase in legal and professional fees as a result of the acquisition of Tak Shing International and the costs incurred due to unexpected changes in market environment.

Income tax expense

Our income tax expense for the year ended 31 December 2021 amounted to approximately HKD98.0 million (Year ended 31 December 2020: approximately HKD83.4 million). The increase in our income tax expense was mainly attributable to the increase in revenue.

(Loss)/profit for the year

As a result of the above, loss attributable to equity owners of the Company in 2021 was approximately HKD1,213.1 million, whereas the profit in 2020 was approximately HKD386.2 million. The decrease was mainly due to the loss arising from the deconsolidation of the PRC Major Subsidiaries during the year.

LIQUIDITY AND FINANCIAL RESOURCES

In 2021, we mainly financed our business with cash generated from our operating activities. We intend to fund our expansion and business operations through our internal resources and on-going internal growth.

Treasury policy

During the year ended 31 December 2021, 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 2021, our cash and cash equivalents amounted to approximately HKD347.8 million, compared with approximately HKD708.3 million as of 31 December 2020, which primarily consisted of cash at bank and cash on hand mainly denominated in RMB (as to approximately 60.2%), USD (as to approximately 32.3%), THB (as to approximately 5.6%) 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 2021, our total capital expenditures amounted to approximately HKD4.6 million, representing the purchase of furniture and office equipment and leasehold improvement (2020: approximately HKD2.7 million, including the purchase of furniture and office equipment). We funded our capital expenditure by using our cash flow generated from our operations.

Capital Commitment

As at 31 December 2021, the Group did not have 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 2021, the Group had promissory notes amounted to HKD618.8 million (31 December 2020: Nil) 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 2021, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 214.7% (31 December 2020: approximately 9.9%).

CHARGE ON GROUP ASSETS

As at 31 December 2021, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (31 December 2020: Nil).

EVENTS AFTER THE REPORTING PERIOD

As at 31 December 2021, 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).

(c) On 7 September 2022, the Group entered into a non-legally binding memorandum of understanding with vendors, pursuant to which, the vendors agreed to sell and the Group agreed to acquire entire equity shares in Summer Mountain Limited and its subsidiaries (the "Summer Mountain Group") for the consideration of RMB80 million which will be satisfied by cash RMB16,000,000 and RMB64,000,000 will be satisfied by issuance of the Promissory Notes. The principle activities of the Summer Mountain Group are (i) provision of online marketing support, and provision of Internet technology services and technology development to clients; (ii) sales of virtual goods and offline promotion; and (iii) live broadcast and e-commerce operations business. At the date of this report, a deposit of RMB12,500,000 had been paid to the vendors.

(d) Subsequent to the 31 December 2021 and up to the date of this report, the Group paid USD2,000,000 to general partner as an initial investment for a private fund which is wholly owned by the Group.

INFORMATION ON EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had 38 employees (31 December 2020: 216), who were mainly based in Thailand and Hong Kong. The table below sets forth the number of employees by function as at 31 December 2021 and 2020:

	2021		2020	
Department	***Number of employees***	***% of total***	*Number of employees*	*% of total*
Management	**8**	**21.1**	9	4.2
Project development	**4**	**10.5**	140	64.8
Game design	**–**	**–**	32	14.8
Programming	**–**	**–**	77	35.6
Art	**4**	**10.5**	31	14.4
Project Support	**22**	**57.9**	51	23.6
Marketing	**5**	**13.2**	7	3.2
Licensing and operator support	**15**	**39.5**	32	14.8
Information technology	**2**	**5.2**	12	5.6
Finance and administration	**4**	**10.5**	16	7.4
Total	**38**	**100.0**	216	100.0

The total remuneration of the employees of the Company was approximately HKD53.6 million for the year ended 31 December 2021 (2020: approximately HKD25.4 million).

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

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

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

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

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

Pursuant to the announcement of the Company dated 1 March 2021, Huaying Angel Investment Fund, a fund established by the Group jointly with Shenzhen Angel FOF Co., Ltd (深圳市天使投資引導基金有限公司) and Shenzhen Qianhai Tongfu Equity Investment Management Co., Ltd. (深圳前海通付股權投資管理有限公司), had completed the filing for fund establishment with the Asset Management Association of China in accordance with the laws and regulations of the PRC on 1 March 2021. The fund is principally engaged in investment in strategic new industries and future industries supported and encouraged by the Shenzhen Municipal Government, such as information technology and data application and the Internet, as well as other key industries developed by the Municipal Government.

Pursuant to the announcement of the Company dated 9 March 2021, on 20 February 2021, the Group established Su Ze Lan Te (Shanghai), a non-wholly owned subsidiary, with Mr. Hu Xuanfeng and Mr. Ye Bin, a member of his game development team. The registered capital of Su Ze Lan Te (Shanghai) is RMB10,000,000, and is owned as to 51% by the Company. Su Ze Lan Te (Shanghai) mainly utilises new technologies or new concepts to research and develop new games and internet application products, in order to diversify the Group's variety of games and help enhancing the operation efficiency of our licensed operators.

Pursuant to the announcement of the Company dated 11 May 2021, the Group established Fire Rock Capital, a wholly-owned subsidiary, in the British Virgin Islands on 26 April 2021, and established Firerock Capital Pte., a wholly-owned subsidiary, in Singapore on 5 May 2021, respectively. Firerock Capital Pte. is wholly owned by Fire Rock Capital. Fire Rock Capital is principally engaged in investment holding. Through Firerock Capital Pte., the Group will engage in strategic cooperation and the distribution of games in regions such as Singapore, Indonesia and Malaysia in the future, and will also acquire or invest in game or other Internet projects that are complementary with the Group's business.

Save for the investments mentioned above, there was no other significant investment in or material acquisition and disposal of subsidiaries and associated companies by the Company.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant unrecorded contingent liabilities (31 December 2020: 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, RMB and SGD. No transactions of the Group are denominated and settled in its functional currency, HKD for both year ended 31 December 2021 and 2020 and approximately 100.0% of the revenue are denominated in currencies other than HKD for the year ended 31 December 2021 (2020: approximately 100.0%). 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.

SHARE SUBDIVISION

On 30 March 2021, the Board of the Company proposed to subdivide each of the existing issued and unissued Shares of one-third Hong Kong cent each in the share capital of the Company into four (4) subdivided Shares of par value of one-twelfth Hong Kong cent each. Prior to the share subdivision becoming effective, the authorised share capital of the Company was HKD20,000,000 divided into 6,000,000,000 Shares of one-third Hong Kong cent each, of which 960,000,000 Shares were issued and fully paid or credited as fully paid. Upon the share subdivision becoming effective, the authorised share capital of the Company would be HKD20,000,000 divided into 24,000,000,000 subdivided shares of par value of one-twelfth Hong Kong cent each, of which 3,840,000,000 subdivided shares would be in issue and fully paid or credited as fully paid.

The share subdivision plan was approved by Shareholders at the extraordinary general meeting held on 30 April 2021. On 4 May 2021, the share subdivision became effective upon the fulfilment of all conditions precedent. For further details, please refer to the announcement of the Company dated 30 March 2021 and the circular of the Company dated 12 April 2021.

(LOSS)/EARNINGS PER SHARE

The calculation of loss per share is based on the loss attributable to owners of the Company of approximately HKD1,213.1 million or the loss per share of approximately 31.59 Hong Kong cents and the weighted average number of 3,840,000,000 ordinary shares in issue during the year ended 31 December 2021. The weighted average number of ordinary shares used in the calculation of loss per share for the year ended 31 December 2021 has been adjusted to reflect the share subdivision which has been completed on 4 May 2021.

The calculation of profit per share is based on the profit attributable to owners of the Company of approximately HKD386.2 million or the profit per share of approximately 10.06 Hong Kong cents and the weighted average number of 3,840,000,000 ordinary shares in issue during the year ended 31 December 2020. The weighted average number of ordinary share used in the calculation of earnings per share for the year ended 31 December 2020 has been adjusted to reflect the share subdivisions which have been completed on 19 August 2020 and 4 May 2021 respectively.

The calculation of diluted loss and earnings per share are same as the calculation of basic loss and earnings per share as there are no dilutive potential ordinary shares in existence during the years ended 31 December 2021 and 2020.

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.

(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.

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.

CONTRACTUAL ARRANGEMENTS

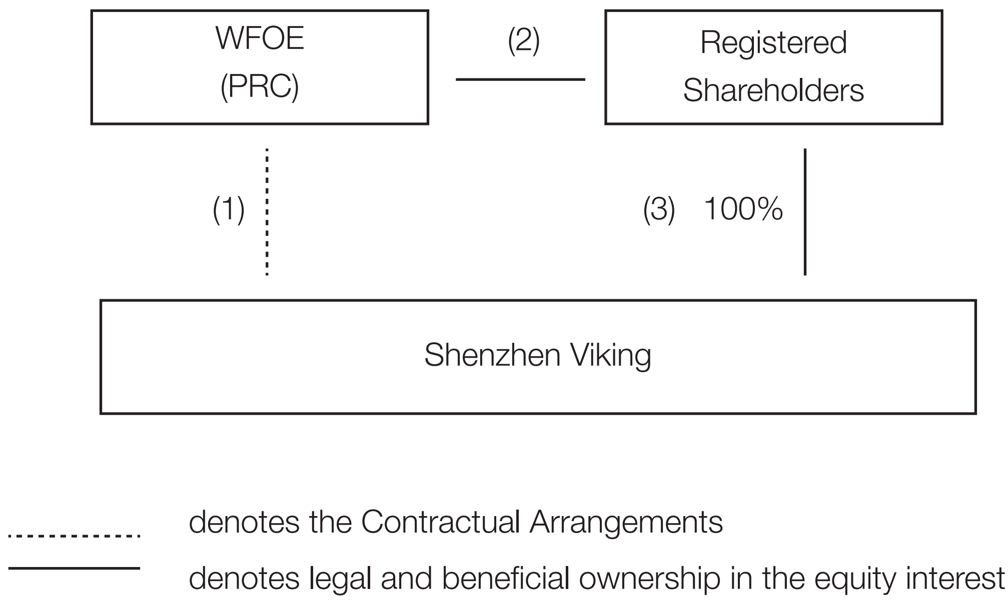
Background

The existing PRC laws and regulations restrict foreign investment in value-added telecommunication, Internet content and information services, and online games in the PRC. The wholly-owned subsidiary of the Company, Tak Shing (SZ), being a foreign-owned enterprise, does not have the requisite licences to provide services regarding value-added telecommunication, Internet content and information services, and online games in the PRC.

In order to comply with PRC laws restricting foreign ownership in the value-added telecommunication in China, or foreign ownership prohibitions on Internet content and information services, the Group operated the licensing and publishing of self-developed browser games and mobile games in the PRC through our PRC Consolidated Affiliated Entity. Our PRC Consolidated Affiliated Entity, as a domestic company, holds a Value-added Telecommunication Business Operation Permit and an Internet Culture Operation Permit. In addition, our PRC Consolidated Affiliated Entity holds certain of the Group's intellectual properties.

The Company has entered into a series of Contractual Arrangements with the WFOE and our PRC Consolidated Affiliated Entity, pursuant to which the Company would gain effective control over, and receive all the economic benefits generated by, the businesses operated by our PRC Consolidated Affiliated Entity. Accordingly, through the Contractual Arrangements, the results of operations and assets and liabilities of our PRC Consolidated Affiliated Entity are consolidated into our results of operations and assets and liabilities under IFRS as if it was a subsidiary of the Group.

The following simplified diagram illustrates the flow of economic benefits from our PRC Consolidated Affiliated Entity to the Group as stipulated under the Contractual Arrangements:



Notes:

(1) WFOE provides business support, technical support, consulting services and other services in exchange for service fees from Shenzhen Viking. Please refer to the section headed "Summary of the Specific Agreements under the Contractual Arrangements" below.

(2) The registered shareholders of Shenzhen Viking, namely Mr. Zhang Zhenhua, Ms. Zhang Xiaojuan and Ms. Wang Yeqiong are collectively referred to as "Registered Shareholders". Mr. Zhang Zhenhua, Ms. Zhang Xiaojuan and Ms. Wang Yeqiong are referred to as the "Relevant Individual Shareholders".

The Registered Shareholders executed exclusive option agreement, powers of attorney and equity pledge agreements, and the spouse of each of the Relevant Individual Shareholders executed an undertaking, in favour of WFOE. Please refer to the section headed "Summary of the Specific Agreements under the Contractual Arrangements" below.

(3) In addition to the restricted and/or prohibited business of the Company, Shenzhen Viking (i) is engaged in business subject to foreign ownership restriction; (ii) is engaged in business subject to foreign ownership prohibition; or (iii) does not currently carry out business operations that are subject to foreign investment restrictions under the Negative List.

A brief description of each of the specific agreements that comprise the Contractual Arrangement is set out as follows:

(a) Exclusive Purchase Option Agreement

Tak Shing (SZ), Shenzhen Viking and the Shenzhen Viking Registered Shareholders entered into an exclusive purchase option agreement (the "Exclusive Purchase Option Agreement") on 8 September 2020, pursuant to which Tak Shing (SZ) or a designee of Tak Shing (SZ) have an irrevocable exclusive option to purchase, through one time or multiple batches, all or part of the shares in Shenzhen Viking held by the Shenzhen Viking Registered Shareholders (the "Optioned Shares") (the "Share Purchase Option") during the term of the Exclusive Purchase Option Agreement; and Tak Shing (SZ) or a designee of Tak Shing (SZ) have an irrevocable exclusive option to purchase, through one time or multiple batches, all or part of the assets owned by Shenzhen Viking (the "Optioned Assets") at any time (the "Asset Purchase Option") during the term of the Exclusive Purchase Option Agreement.

The Exclusive Purchase Option Agreement shall remain valid during the legal operating period of Shenzhen Viking and extension periods under PRC law until Tak Shing (SZ) or a designee of Tak Shing (SZ) fully exercises the Share Purchase Option or the Asset Purchase Option. Otherwise, Tak Shing (SZ) can terminate the Exclusive Purchase Option Agreement unilaterally by providing thirty (30) days in advance. Unless provided by law, Shenzhen Viking and the Shenzhen Viking Registered Shareholders shall have no rights to unilaterally terminate the Exclusive Purchase Option.

(b) Exclusive Business Cooperation Agreement

Tak Shing (SZ) and Shenzhen Viking entered into an exclusive business cooperation agreement (the "Exclusive Business Cooperation Agreement") on 8 September 2020, pursuant to which Shenzhen Viking agreed to engage Tak Shing (SZ) as its exclusive services provider to provide (including but not limited to) management consulting, technical and software support, technical consulting, promotion strategy, marketing and related services. The fee for such services shall be in accordance with the actual cooperation and operation situation between Tak Shing (SZ) and Shenzhen Viking.

The Exclusive Business Cooperation Agreement shall be effective upon signing by the parties until the Exclusive Purchase Option Agreement has been terminated. Tak Shing (SZ) can terminate the Exclusive Business Cooperation Agreement unilaterally by providing thirty (30) days' notice in advance. Unless provided by law, Shenzhen Viking and the Shenzhen Viking Registered Shareholders shall have no rights to unilaterally terminate the Exclusive Business Cooperation Agreement.

(c) Exclusive Technical Service and Management Consultancy Agreement

Tak Shing (SZ) and Shenzhen Viking entered into an exclusive technical service and management consultancy agreement (the "Exclusive Technical Service and Management Consultancy Agreement") on 8 September 2020, pursuant to which Shenzhen Viking agreed to engage Tak Shing (SZ) as its exclusive services provider to provide (including but not limited to) computer and mobile equipment software development or assistance thereof, development or design of webpages and websites for business use, information management systems, technical support, technical consultation, technical training, as well as development of management model and business plan, market research and other services. Subject to PRC laws and reimbursement of losses of the previous year (if required), Shenzhen Viking shall pay the remainder of its annual profit after deducting costs, expenses, fees and taxes recognised by Tak Shing (SZ) as service fee (the "Service Fee") to Tak Shing (SZ). Tak Shing (SZ) has the right to adjust the Service Fee according to the overall situation of the services provided to Shenzhen Viking, the operation condition and business development of Shenzhen Viking and Shenzhen Viking shall cooperate unconditionally. The Service Fee may be paid before or after the provision of the technical and management consultancy services.

The Exclusive Technical Service and Management Consultancy Agreement shall be effective upon signing by the parties until the Exclusive Purchase Option Agreement has been terminated. Tak Shing (SZ) can terminate the Exclusive Technical Service and Management Consultancy Agreement unilaterally by providing thirty (30) days' notice in advance. Unless provided by law, Shenzhen Viking shall have no rights to unilaterally terminate the Exclusive Technical Service and Management Consultancy Agreement.

(d) Share Pledge Agreement

Tak Shing (SZ), Shenzhen Viking and the Shenzhen Viking Registered Shareholders entered into a share pledge agreement (the "Share Pledge Agreement") on 8 September 2020, pursuant to which the Shenzhen Viking Registered Shareholders agreed to pledge all their respective shares in Shenzhen Viking to Tak Shing (SZ) as collateral security for any and all of the secured indebtedness under the Contractual Arrangements, and for securing the performance of their obligations under the Contractual Arrangements. During the pledge period, Tak Shing (SZ) is entitled to receive any dividends or other distributable profits arising from the shares of Shenzhen Viking held by the Registered Shareholders.

The pledge in favour of Tak Shing (SZ) under the Share Pledge Agreement shall remain valid until all the contractual obligations of the Registered Shareholders and Shenzhen Viking under the Contractual Arrangements have been fully performed and all the secured indebtedness of the Registered Shareholders and Shenzhen Viking under the Contractual Arrangements have been fully paid.

(e) Powers of Attorney

The Shenzhen Viking Registered Shareholders executed powers of attorney (the "Powers of Attorney") on 8 September 2020, pursuant to which the Shenzhen Viking Registered Shareholders irrevocably appointed Tak Shing (SZ) and its appointees (including but not limited to the directors of Tak Shing (SZ) and their successors and liquidators replacing the directors but excluding those non-independent directors or directors who may give rise to conflict of interests) as their exclusive agents and attorneys-in-fact to act on their behalf on all matters concerning Shenzhen Viking and to exercise all of their respective rights as a Registered Shareholder of Shenzhen Viking in accordance with the PRC laws and the articles of association of Shenzhen Viking.

(f) Shareholder Rights Authorisation Agreement

On 8 September 2020, Tak Shing (SZ), Shenzhen Viking and the Shenzhen Viking Registered Shareholders entered into a shareholder rights authorisation agreement (the "Shareholder Rights Authorisation Agreement"), pursuant to which the Shenzhen Viking Registered Shareholders irrevocably authorise Tak Shing (SZ) or persons designated by it to represent each of them to exercise all rights in connection with matters concerning his/her rights as shareholders of Shenzhen Viking in accordance with the valid articles of association at the time.

The Shareholder Rights Authorisation Agreement shall take effect from the date of execution and shall unconditionally remain valid during the period that the Shenzhen Viking Registered Shareholders remain as shareholders of Shenzhen Viking, unless terminated in advance by the parties in writing. If any of the Shenzhen Viking Registered Shareholders transfers his/her entire shareholding in Shenzhen Viking with the prior written consent of Tak Shing (SZ), the other parties' rights and obligations under the Powers of Attorney shall remain unaffected.

(g) Spouse Undertakings and Confirmations from the Relevant Individual Shareholders

The spouse of each of the Relevant Individual Shareholders, where applicable, has executed an undertaking (the "Spouse Undertakings") to the effect that (i) the respective Relevant Individual Shareholder's interests in Shenzhen Viking (together with any other interests therein) do not fall within the scope of communal properties; and (ii) the spouse has no right to or control over such interests of the respective Relevant Individual Shareholder and will not have any claim on such interests.

Each of the Relevant Individual Shareholders has also confirmed to the effect that (i) his/her spouse is aware of the Exclusive Option Agreement, the Share Pledge Agreement and the respective Power of Attorney; (ii) his shareholding is his personal property and does not constitute joint property; (iii) his/her spouse agrees that he has the right to claim any interests, handle his shareholding at his sole discretion without consent of his/her spouse and to enjoy the rights and perform the obligations under the Exclusive Option Agreement, the Share Pledge Agreement and the respective Power of Attorney by himself. If he/she and his/her spouse get divorced, the equity interest in the domestic company held by him/her is his/her personal property and does not constitute a joint property of him/her and his/her spouse, and he/she will take measures to ensure the performance of the Exclusive Option Agreement, the Share Pledge Agreement and the respective Power of Attorney and will not take any actions in violation of the Exclusive Option Agreement, the Share Pledge Agreement and the respective Power of Attorney; and (iv) in the event of his/her death, incapacity or any other event which causes his/her inability to exercise his/her shareholder's rights in Shenzhen Viking, his/her successors will inherit all his/her rights and obligations under the Power of Attorney.

Reasons for adopting the Contractual Arrangements

The principal business of our PRC Consolidated Affiliated Entity involves publication and operation of games through mobile apps and websites, and, pursuant to applicable PRC laws, is subject to the foreign investment restrictions in accordance with (including but not limited to) the Special Management Measures (Negative List) for the Access of Foreign Investment (2020) (《外商投資准入特別管理措施 (負面清單) (2020年版)》) (the "Negative List") promulgated by the National Development and Reform Commission ("NDRC") and the Ministry of Commerce of the PRC ("MOFCOM"). The business of the online games operating service is considered "prohibited" for foreign investment, where foreign investment is strictly forbidden. In view of such PRC regulatory background, after consultation with our PRC legal advisers, we determined that it was not viable for the Company to hold our PRC Consolidated Affiliated Entity directly through equity ownership. For further details of the foreign investment restrictions relating to the Contractual Arrangements, please refer to the circular of the Company dated 13 January 2021.

Regulatory Matters in Relation to the Contractual Arrangements

FITE Regulations

Foreign investment in telecommunications sector is governed by the Regulations on Administration of Foreign Invested Telecommunications Enterprises (外商投資電信企業管理規定) (the "FITE Regulations"), which were promulgated by the State Council on 11 December 2001 and amended on 10 September 2008 and 6 February 2016. Pursuant to the FITE Regulations, a foreign investor must establish a Chinese-foreign equity joint venture with a Chinese partner to invest in telecommunications industry. A foreign-invested telecommunications enterprise, or FITE, is allowed to engage in basic telecommunications business and value-added telecommunications business. The foreign investor's ultimate equity holding percentage in a value-added telecommunications business shall not exceed 50% except in E-commerce, domestic multi-party communication, store and forward, call center, which can be operated by a wholly foreign-owned enterprise according to the Special Management Measures (Negative List) for the Access of Foreign Investment (2020). In addition, the FITE Regulations require a foreign investor to demonstrate a good track record and prior experience in providing value-added telecommunications services business before it can acquire any equity interest in a value-added telecommunications services business in the PRC (the "Qualification Requirements"). However, as advised by our PRC legal advisers, as at the date of this report, there are no administrative or implementing rules in the PRC defining the term "a good track record and prior experience".

Foreign Investment Law

The Foreign Investment Law (外商投資法) (the "FIL"), approved by the second session of the 13th National People's Congress, and the Regulation on the Implementation of the Foreign Investment Law (外商投資法實施條例) (the "FIL Implementation Regulation"), promulgated by the State Council, have come into effect on 1 January 2020.

According to the FIL, the investment in China directly or indirectly by foreign natural persons, enterprises or other organisations ("Foreign Investors") is defined as foreign investment ("Foreign Investment"), which includes the following situations: (1) Foreign Investors establishing foreign-invested enterprises alone or by cooperating with other investors; (2) Foreign Investors acquiring shares, equities, property shares or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or by cooperating with other investors; (4) other means of investment prescribed by laws, administrative regulations and rules promulgated by the State Council. According to our PRC legal advisers, the FIL and the FIL Implementation Regulation do not clearly stipulate whether the Structured Contracts are a form of Foreign Investment.

In accordance with the existing provisions of the FIL and the FIL Implementation Regulation and if the laws, administrative regulations and the State Council do not include the Structured Contracts as a form of Foreign Investment, the Structured Contracts will not be materially affected. However, in view of the provisions of the abovementioned situation (4) of Foreign Investment in the FIL, it does not rule out the Structured Contracts being regarded as a form of Foreign Investment according to laws, administrative regulations or rules promulgated by the State Council in the future. In this regard, the Company cannot guarantee that the Structured Contracts and the operations of Shenzhen Viking will not be materially and adversely affected by changes in PRC laws and regulations in the future.

Since the FIL and the FIL Implementation Regulation do not clarify whether the Structured Contracts are a form of Foreign Investment, the Company believes that it may not be appropriate at this stage to formulate specific measures to avoid the Structured Contracts being recognised as a form of Foreign Investment under the FIL. If the Structured Contracts is recognised as a form of Foreign Investment in the future, and there is no special provision for the Structured Contracts that allows Shenzhen Viking, provided that certain conditions are met, to continue to carry out relevant foreign investment restricted or prohibited businesses, the Company might be requested to dispose of its interests in Shenzhen Viking.

Risks in Relation to the Contractual Arrangements

There are certain risks that are associated with the Contractual Arrangements of the Group, including:

- If the PRC government determines that the Contractual Arrangements do not comply with the applicable regulations, our business would be materially and adversely affected or we could be subject to severe penalties.

- Our Contractual Arrangements with Shenzhen Viking and its Registered Shareholders may not be as effective in providing control as direct ownership. Shenzhen Viking and its Registered Shareholders may fail to perform their obligations under these Contractual Arrangements.

- Our ability to enforce the share pledge agreements may be subject to limitations based on PRC laws and regulations.

- The Shenzhen Viking Registered Shareholders have potential conflicts of interest with us, which may adversely affect our business.

- We may lose the ability to use and enjoy the benefits of the assets held by Shenzhen Viking that are important to the operations of our business if such entity goes bankrupt or becomes subject to dissolution or liquidation proceeding.

- Our Contractual Arrangements with Shenzhen Viking may result in adverse tax consequences.

For further details of these risks, please refer to the circular of the Company dated 13 January 2021.

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion as and when they arise;

- the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

- the Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual/interim reports;

- the Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual/interim reports; the Directors will provide periodic updates in the annual/interim reports regarding the Qualification Requirements as stipulated under the FITE Regulations and the development of laws and regulations on foreign investment, including the latest relevant regulatory development as well as the plan and progress in acquiring the relevant experienced personnel to meet these Qualification Requirements; and

- the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance with WFOE and our PRC Consolidated Affiliated Entity to deal with specific issues or matters arising from the Contractual Arrangements.

Listing Rules Implications and Waivers from the Stock Exchange

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules. As such, we have applied to the Stock Exchange, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; and (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, for so long our Shares are listed on the Stock Exchange, subject, however, to the following conditions:

(a) no change to the Contractual Arrangements will be made without independent non-executive Directors' approval;

(b) no change to the Contractual Arrangements will be made without independent Shareholders' approval;

(c) on the basis that the Contractual Arrangements provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding, on the one hand, and our PRC Consolidated Affiliated Entity, on the other hand, that framework may be renewed and/or reproduced upon expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch companies) engaging in the same business as that of the Group which the Group may wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements; and

(d) we will disclose details relating to the Contractual Arrangements on an ongoing basis.

For further details of the Contractual Arrangements, please refer to the circular of the Company dated 13 January 2021.

DISCLAIMER OF OPINION

The Company's auditor (the "Auditor") expressed a disclaimer of opinion in the independent auditors' report on the consolidated financial statements of the Group for the year ended 31 December 2021 (the "Independent Auditors' Report"). As stated in the paragraph headed "BASIS FOR DISCLAIMER OF OPINION" in the Independent Auditors' Report, the basis for the Auditor to express a disclaimer of 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 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 disclaimer of opinion.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Group for the year ended 31 December 2021.

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 2021.

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 2021. 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 annual results for the year ended 31 December 2021; and (ii) issue the annual report for the year ended 31 December 2021. Such delays constituted the violation of Rule 13.46(2)(a) and Rule 13.49(1) of the Listing Rules. The Company failed to hold the annual general meeting for the year ended 31 December 2021 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 2021, 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.

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 2021, 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 (re-designated from an independent non-executive Director to an executive Director on 19 March 2021)
Mr. SU Yi (Chief Executive Officer) (appointed as Chief Executive Officer on 11 February 2021; resigned on 20 December 2021)

Non-executive Directors

Mr. ZHANG Yan (Chairman) (resigned on 30 May 2023)
Ms. YANG Kan (resigned on 30 May 2023)
Mr. HUANG Yong (re-designated from an executive Director to a non-executive Director, and resigned as Chief Executive Officer on 11 February 2021; and resigned on 20 December 2021)

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, 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 2021, 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.

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 2021, 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.

A summary of the training received by the Directors for the year ended 31 December 2021 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. Su Yi (Chief Executive Officer) (appointed as Chief Executive Officer on 11 February 2021; resigned on 20 December 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)	✓	✓
Mr. Huang Yong (re-designated from an executive Director to a non-executive Director and resigned as Chief Executive Officer on 11 February 2021; and resigned on 20 December 2021)	✓	✓
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.

During the year ended 31 December 2021, 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	1/1	1/1
Mr. Su Yi[2]	6/6	N/A	N/A	N/A	1/1	1/1
Mr. Chen Di[3]	6/6	N/A	N/A	N/A	1/1	1/1
Non-executive Directors						
Mr. Zhang Yan[4]	6/6	N/A	N/A	1/1	1/1	1/1
Ms. Yang Kan[5]	6/6	N/A	N/A	N/A	1/1	1/1
Mr. Huang Yong[6]	6/6	N/A	N/A	N/A	1/1	1/1
Independent Non-executive Directors						
Mr. Chan King Fai[7]	6/6	1/1	1/1	N/A	1/1	1/1
Mr. Yang Zhen[8]	6/6	1/1	1/1	1/1	1/1	1/1
Ms. Zhuang Renyan[9]	6/6	1/1	1/1	1/1	1/1	N/A

1. Mr. Zhou Kun resigned as an executive Director on 12 April 2023.

2. Mr. Su Yi was appointed as the Chief Executive Officer on 11 February 2021; and resigned as an executive Director and the Chief Executive Officer on 20 December 2021.

3. Mr. Chen Di was re-designated from an independent non-executive Director to an executive Director on 19 March 2021, and resigned as a member of the audit committee, the remuneration committee and the nomination committee on 19 March 2021.

4. Mr. Zhang Yan resigned as a non-executive Director on 30 May 2023.

5. Ms. Yang Kan resigned as a non-executive Director on 30 May 2023.

6. Mr. Huang Yong was re-designated from an executive Director to a non-executive Director and resigned as the Chief Executive Officer and a member of the remuneration committee on 11 February 2021; and resigned as a non-executive Director on 20 December 2021.

7. 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.

8. Mr. Yang Zhen was appointed as the chairman of the remuneration committee on 19 March 2021; and 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.

9. Ms. Zhuang Renyan was appointed as an independent non-executive Director and as a member of the audit committee, the remuneration committee and the nomination committee on 19 March 2021; and 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.

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 role of the chairman has been separate from that of the chief executive officer. During the year ended 31 December 2021, Mr. Zhang Yan was the chairman of the Company. Mr. Huang Yong resigned as the Chief Executive Officer of the Company on 11 February 2021, and was succeeded by Mr. Su Yi. Mr. Su Yi resigned as the Chief Executive Officer of the Company on 20 December 2021. As of 31 December 2021, 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 2021, 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 2021, 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 2021 are as follows:

Remuneration band	Number of individuals
Nil – HKD1,000,000	2
HKD1,000,001 – HKD1,500,000	1

Details of the remuneration of each Director for the year ended 31 December 2021 are set out in Note 14(a) to the consolidated financial statements.

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;

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 2021, 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 2021, the audit committee convened one meeting to discuss the matters set out above.

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 2021, 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 2021, 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 the appointment of Ms. Zhuang Renyan, the Board, with the assistance and recommendation from the nomination committee of the Company, has reviewed 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 she can provide. The Board is of the view that during her tenure as independent non-executive Director, she has made positive contributions to the Company's strategy, policies and performance with her independent advice, comments, judgment from the perspective of her respective background coupled with her general understanding of business of the Group. She also contributes to the diversity of the Board in age and geographical background. Holding not more than seven listed company directorship, she is able to devote sufficient time and attention to perform the duties as an independent non-executive Director. In view of the above, her appointment is considered to be of benefit to the Company.

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 2021.

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 2021. 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.

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 2021.

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 HKD3.0 million for the year ended 31 December 2021, and the fees in relation to the interim services provided by BDO Limited, the former auditor, for the six months ended 30 June 2021, amounted to approximately HKD0.3 million. 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 ensuing 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

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 2021 (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 statistical methods disclosed in the Report are consistent with those of last year for comparison 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 Shenzhen Fire Element Network Technology Co., Ltd, Shenzhen Fire Element Network Science and Technology Co., Ltd. (collectively "Shenzhen Fire Element") and Firerock Co., Ltd ("Firerock Co.") in Thailand for the period from 1 January 2021 to 31 December 2021 (the "Reporting Period"). The scope of reporting of the Report is consistent with the section headed Environmental, Social and Governance Report contained in the 2020 Annual 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. You are welcome to contact us by email (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	◇ 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	◇ 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

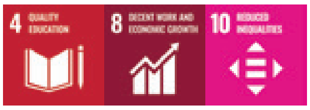
To effectively manage ESG-related risks, including environmental and social risks arising from climate change and supply chain, we have incorporated ESG risks into our current risk management procedures. Each department and the ESG working group collect internal and external data from all aspects through 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.

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.

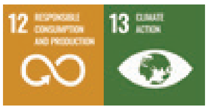
Professional talents

- 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 comsumption 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

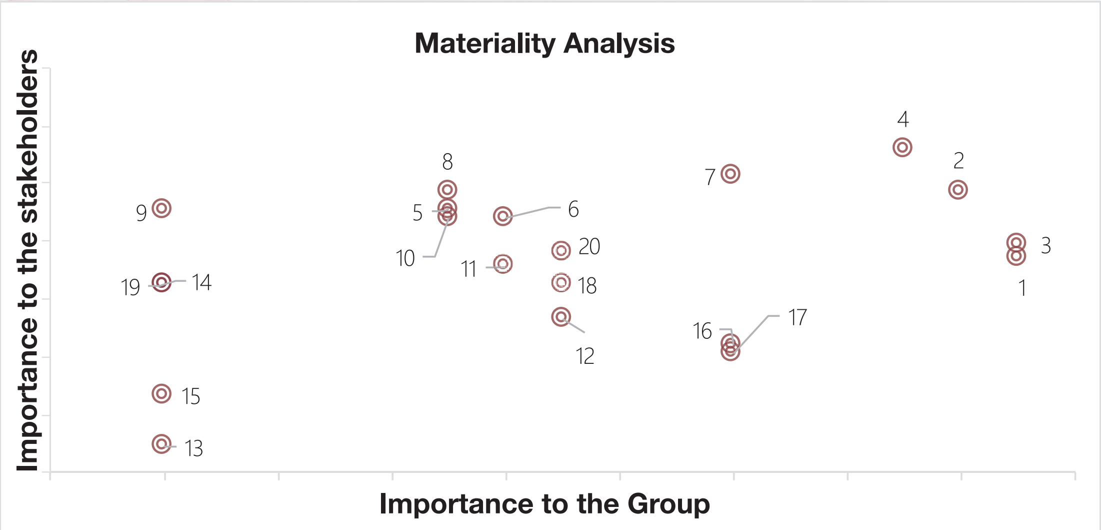
- Operate with high ethical standards and prohibit any form of bribery or corruption

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	• Business strategies • Investment return • Corporate image	• General meetings • Company's website • Annual reports
Game users	• Product quality • User privacy	• Online customer service • Social media interaction
Suppliers	• Compliant operation • Product quality	• Emails • Meetings
Employees	• Remuneration packages • Equal opportunity and training • Safe workplace	• Employee activities • Employee satisfaction surveys
Government	• Compliant operation • Tax payment in accordance with the law	• Company's website • Statutory reports
Community	• Community development • Public welfare activities	• Community activities • Promotional campaigns

In order to further identify and determine the ESG issues that are important to us, 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 importance through online questionnaire. At the end, the materiality of ESG issues was prioritized based on the consolidated importance to stakeholders and the business and presented in a matrix. According to the results, the four most important issues for the Year are product responsibility, game-related health and safety, player/operator privacy and protection of game development capabilities.



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, Thai and simplified Chinese, 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.

Healthy and Stable Cyberspace

The Company persists in stringent compliance with laws and regulations pertaining to product responsibility, such as the Notice on the Commencement of Real Name Verification for Online Games to Prevent Addiction, the Administrative Regulations on Internet Publishing Services and the Administrative Measures on Internet Information Services of the PRC and the Electronic Transactions Act, the Computer Crime Law and the Personal Data Protection Law in 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.

All of our games currently target adults aged over 18 years old, and we also take the following measures to prevent game addiction and create a healthy and safe online game atmosphere when cooperating with game operators in different regions:

◇ The game description will specify the age limit of the game and only verified players who meet the age limit requirements are allowed to play our games;

◇ Dialog channels in the game are equipped with content and language filtering functions to create a healthy cyberspace;

◇ A reminder of 2-hour playing time is set up in the game to guide players to reduce the continuous online time to avoid excessive fans in the game;

◇ The game must be reviewed by relevant regulatory authorities before launch to meet the requirements of relevant national laws and regulations.

At the same time, Firerock Co., as a self-operated game 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

We have always been very concerned about user data and privacy, and we are extremely cautious about the processing of user personal data collected by our games. We were not aware of any non-compliance with the laws and regulations relating to data security and privacy during the Reporting Period. 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 during the process of game playing 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 and/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.

Intellectual Property Rights Protection

The steady development of online games is inseparable from intellectual property rights protection. The Group is committed to stringent compliance with relevant laws and regulations, such as 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, the Administrative Measures for Internet Domain Names of China and the Administrative Measures for Software Products; 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, software copyrights and game license numbers, 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 in 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.

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 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.

PROFESSIONAL TALENTS

Employment Rights

We understand that employees are the cornerstone of our business development, and we rely on the joint efforts of our employees to create long-term value for us. We strictly comply with 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.

Employee Distribution

As at 31 December 2021, the Group had 38 employees. For more employee data, please refer to the following chart:

	2021	2020
Employee data		
By employment type		
Full-time	**37**	216
Part-time	**1**	—
By gender		
Male	**17**	168
Female	**21**	48
By region		
Mainland China	**—**	188
Thailand	**35**	26
Hong Kong	**3**	2
By age group		
20 or below	**—**	1
21–30	**19**	146
31–40	**14**	59
41–50	**2**	7
51–60	**3**	3
Total number of employees	**38**	216
Employee turnover rate[1]		
By gender		
Male	**76%**	33%
Female	**176%**	52%
By region		
Mainland China	**—**	29%
Thailand	**142%**	96%
Hong Kong	**—**	50%
By age group		
20 or below	**—**	—
21–30	**142%**	44%
31–40	**164%**	25%
41–50	**—**	14%
51–60	**—**	—
Overall employee turnover rate	**131%**	37%

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

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.
Project management skills	Managers	Training for the management, aimed to further enhance employees' project management capabilities.
Sharing sessions	Technical personnel	Sharing on motion design and various technologies, aimed to create a good sharing platform to improve employees'skills and passion for work.
Influential interviewers	Management	Programmes for interviewers from various functional positions, aimed to help them improve their interviewing skills and select the right candidates.

Employee training data	2021	2020	Unit
Employee training analysis			
Total training hours	**1,647**	1,821	Hours
Average training hours	**4.31**	6.15	Hours/person
Percentage of trained employees by gender			
Male	**81.80**	83.97	%
Female	**18.20**	16.03	%
Percentage of trained employees by type of employee			
Senior management	**1.79**	2.53	%
Middle management	**5.97**	8.44	%
General and technical personnel	**92.24**	89.03	%
Average training hours by gender			
Male	**3.63**	6.75	Hours/person
Female	**6.49**	4.32	Hours/person
Average training hours by type of employee			
Senior management	**3.09**	14.50	Hours/person
Middle management	**4.46**	32.42	Hours/person
General and technical personnel	**4.34**	3.34	Hours/person

Employee Occupational Health and Safety

The Group provides its employees with a safe workplace in strict accordance with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Law of the People's Republic of China on Response to Emergencies, 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.

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.

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 stands firmly against the employment of child or forced labour. Our recruitment process are conducted in strict compliance with laws and regulations such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Laws of the People's Republic of China on Protection of Minors and the Provisions on Prohibition of Child Labour; as well as 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, we did not have any employment of child or forced labour.

GREEN ENVIRONMENT

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 Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and the Law of the People's Republic of China on Environmental Impact Assessment; as well as 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:

	2021	2020	Unit
Greenhouse gas emissions[1]			
Greenhouse gas emissions (scope 2) — electricity consumption	**175.07**	195.86	Tonnes of CO_2e
Intensity of greenhouse gas emissions (scope 2) — electricity consumption	**0.07**	0.08	Tonne of CO_2e/floor area per square metre
Energy consumption			
Total electricity consumption	**304,814.00**	256,599.00	Kilowatt-hours
Intensity of electricity consumption	**119.72**	104.38	Kilowatt-hours/floor area per square metre

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 26ºC;

◇ 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, striving to align with the national strategic goal of achieving carbon neutrality by 2060.

[1] 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.

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 located, 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. For the Year, our water consumption[2] was 2,049 cubic metres (2020: 1,688 cubic metres) and the water consumption intensity was 0.80 cubic metre/square metre (2020: 0.69 cubic metre/square metre).

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. During the Reporting Period, our total non-hazardous waste produced was approximately 2.46 tonnes (2020: 8.08 tonnes), with an intensity of 0.97 kilogramme/square metre (2020: 3.29 kilogrammes/square metre). 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.

2 As Firerock Co. operates in leased offices in Thailand, 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, the water consumption data collected during the Reporting Period represented merely the consumption by the office premises of Shenzhen Fire Element.

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. As a result, our exposure to transition risks, such as reputation, laws and policies, is relatively low.

ANTI-CORRUPTION

The Group strictly complies with the laws and regulations of the Chinese and Thai governments relating to money laundering, bribery, extortion, fraud and corruption, including the Interim Provisions on Banning Commercial Bribery, the Anti-Money Laundering Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China in China, 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.

The Group requires all Directors and employees to act in accordance with high ethical standards and prohibits any form of bribery or corruption. They are required to strictly comply with the established Anti-corruption and Fraud Reporting Procedures and report major fraud incidents listed therein. Whistleblowers may also report any unethical and illegal behaviors through telephone, facsimile or emails on an anonymous basis. 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. Depending on the severity of the case, we will also report the case to the relevant local judicial authorities and submit the investigation materials in accordance with laws and regulations. During the Year, we also provided anti-corruption training programmes to our Directors and employees to raise their awareness of integrity in employment, so as to prevent corruption from occurring at the source.

COMMUNITY SUPPORT

The Group upholds the belief that an enterprise assumes the responsibility to serve the society while pursuing economic development. As a responsible corporate citizen, we seek to reward the society through proactive participation in charitable initiatives. During the Year, we donated RMB5,000,000 to Tsinghua University Education Foundation and RMB600,000 to Sichuan Neijiang Education Foundation, to support the development of education.

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DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. ZHOU Zhiwei[1] (Chief Executive Officer)
Mr. GAO Bo[2]
Mr. CHEN Di[3]
Ms. WONG Yan[4]
Mr. ZHOU Kun[5]
Mr. SU Yi[6]

Non-executive Directors

Mr. ZHANG Yan[7]
Ms. YANG Kan[8]
Mr. HUANG Yong[9]

Independent Non-executive Directors

Mr. TAM Chik Ngai Ambrose[10]
Ms. CHOW Woon San Shirley[11]
Mr. LOK Tze Bong[12]
Mr. CHAN King Fai[13]
Mr. YANG Zhen[14]
Ms. ZHUANG Renyan[15]

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. Mr. Chen Di was re-designated from an independent non-executive Director to an executive Director on 19 March 2021
4. Ms. Wong Yan was appointed as an executive Director on 16 June 2023
5. Mr. Zhou Kun resigned as an executive Director on 12 April 2023
6. Mr. Su Yi was appointed as the Chief Executive Officer on 11 February 2021; and resigned as an executive Director and the Chief Executive Officer on 20 December 2021
7. Mr. Zhang Yan resigned as a non-executive Director on 30 May 2023
8. Ms. Yang Kan resigned as a non-executive Director on 30 May 2023
9. Mr. Huang Yong was re-designated from an executive Director to a non-executive Director and resigned as the Chief Executive Officer on 11 February 2021; and resigned as a non-executive Director on 20 December 2021
10. Mr. Tam Chik Ngai Ambrose was appointed as an independent non-executive Director on 30 March 2023
11. Ms. Chow Woon San Shirley was appointed as an independent non-executive Director on 30 March 2023
12. Mr. Lok Tze Bong was appointed as an independent non-executive Director on 12 April 2023
13. Mr. Chan King Fai resigned as an independent non-executive Director on 30 May 2023
14. Mr. Yang Zhen resigned as an independent non-executive Director on 12 April 2023
15. 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

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 more than 13 years of experience in e-commerce. 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 e-commerce 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 e-commerce, 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 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.

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 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 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.

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 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 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.

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 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 2021.

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 113 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 2021, 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 2021, 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 *HKD'm*	Original allocation *Percentage*	Used amount as at 31 December 2021 *HKD'm*	Used amount as at 31 December 2021 *Percentage*	Unused amount as at 31 December 2021 *HKD'm*	Unused amount as at 31 December 2021 *Percentage*
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 2021, 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 2021, the Company had no reserves available for distribution.

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 2021.

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 2021, purchases from our five largest suppliers accounted for approximately 35.7% of our total purchases, while purchases from our single largest supplier accounted for approximately 9.3% 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 2021, the Group donated RMB5 million to Tsinghua University Education Foundation and donated RMB0.6 million to Sichuan Nejiang Education Foundation.

PROPERTY, PLANT AND EQUIPMENT

Details of the changes in property, plant and equipment during the year ended 31 December 2021 are set out in the Note 15 to the consolidated financial statements.

BORROWING

As at 31 December 2021, the Group did not have any bank or other borrowings.

CONTINGENT LIABILITIES

As at 31 December 2021, 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 2021, the Directors and the chief executive of our Company had the interests 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

(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:

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.

Save as disclosed above, as at 31 December 2021, 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 2021, 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 therefore 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 2021.

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 2021.

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 2021, 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

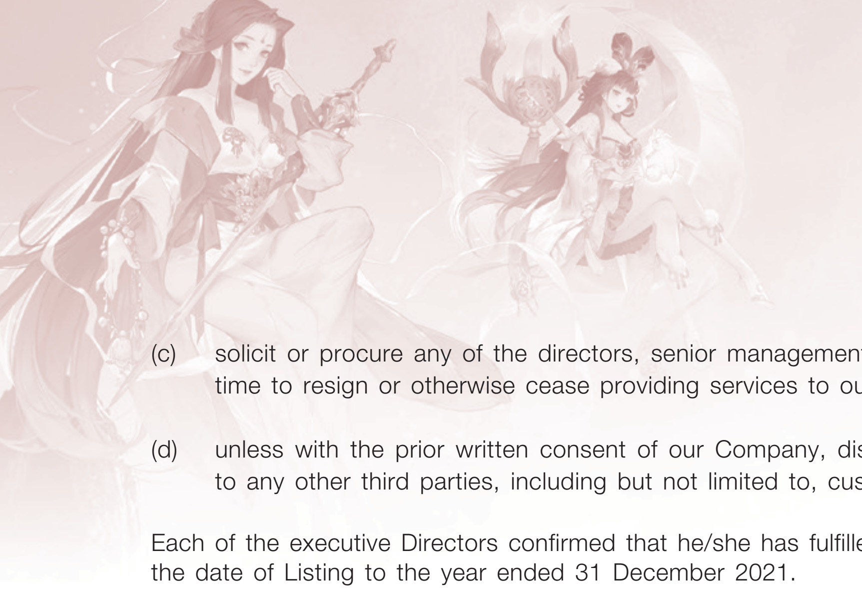
The Company has not entered into any connected transactions as defined under the Main Board Listing Rules for the year ended 31 December 2021. For the avoidance of doubt, none of the related party transactions undertaken by the Group during the year ended 31 December 2021 constituted connected transaction 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;



(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 2021.

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.

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 2021 and made recommendations and advice.

By order of the Board
Chen Di
Executive Director

Hong Kong, 27 July 2023

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
火岩控股有限公司
(incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Fire Rock Holdings Limited (the "Company") and its subsidiaries (collectively referred as to the "Group") set out on pages 81 to 146, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. *Consolidation and deconsolidation of PRC major subsidiaries*

We were firstly appointed as auditor of the Company on 13 April 2023. As set out in notes 3(d) and 32 to the Group's consolidated financial statements, 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;

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 Shenzhen Fire Element and the PRC Major Subsidiaries are significant to the Group's consolidated financial statements for the years ended 31 December 2020 and 2021 respectively. 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 financial performance, changes in equity and cash flows and the related disclosure notes for the year ended 31 December 2021, which are substantially attributable to the PRC Major Subsidiaries;

- the corresponding figures (including 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 2020, the consolidated statements of financial position as at 31 December 2020 and 1 January 2020 and the related disclosure notes) in the consolidated financial statements for the year ended 31 December 2021, which did not account for any provision for penalty about the illegal establishment of a gambling house through the mobile game developed and operated by Shenzhen Fire Element;

- 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 as set out in note 31, and the disclosure of such in other related disclosure notes for the year ended 31 December 2021; 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 as set out in note 32, and the disclosure of such in other related disclosure notes for the year ended 31 December 2021.

As a result, we were unable to determine whether any adjustments were necessary in respect of the Group's consolidated financial statements for the years ended 31 December 2021 and 2020.

2. Valuation of refundable deposits paid for strategic acquisition

As set out in note 20 to the consolidated financial statements for the year ended 31 December 2021, 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. However, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves:

- whether the transfer of the aforesaid shares in the Target has been submitted and in the process of approval by the relevant regulatory body; and
- as to the valuation of the deposit of HKD35,024,000 and whether any impairment loss to this deposit is necessary.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

As disclosed in note 3(e) to the consolidated financial statements, the Group recorded a net loss attributable to the owners of the Company of approximately HKD1,213,086,000 for the year ended 31 December 2021, and as at 31 December 2021, the Group's current liabilities exceeded its current assets by approximately HKD125,638,000 and the Group had net liabilities of approximately HKD455,639,000. These events or condition, together with other matters described in note 3(e) 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.

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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("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 responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2021.

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 2021

	Notes	**2021** ***HKD'000***	2020 *HKD'000* *(restated)*
Revenue	*7*	**1,035,215**	586,100
Direct costs		**(168,134)**	(46,014)
Gross profit		**867,081**	540,086
Other income	*7*	**26,974**	13,700
Research costs		**(42,822)**	(257)
Distribution costs		**(85,093)**	(37,905)
Administrative expenses		**(99,273)**	(43,692)
Penalties arising from the establishment of a gambling house through a mobile game	*3(d)*	**(560,585)**	—
Loss on deconsolidation of subsidiaries	*32*	**(1,200,338)**	—
Finance costs	*8*	**(19,415)**	(446)
(Loss)/profit before income tax	*9*	**(1,113,471)**	471,486
Income tax expense	*10*	**(97,986)**	(83,395)
(Loss)/profit for the year		**(1,211,457)**	388,091
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**26,808**	29,860
Reclassification of exchange difference upon deconsolidation of subsidiaries		**(44,265)**	—
Other comprehensive (loss)/income for the year		**(17,457)**	29,860
Total comprehensive (loss)/income for the year		**(1,228,914)**	417,951
(Loss)/profit attributable to:			
Owners of the Company		**(1,213,086)**	386,180
Non-controlling interests		**1,629**	1,911
		(1,211,457)	388,091
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(1,230,404)**	415,954
Non-controlling interests		**1,490**	1,997
		(1,228,914)	417,951
		HKD cents	*HKD cents* *(restated)*
(Loss)/earnings per share			
Basic and diluted	*12*	**(31.59)**	10.06

The notes on pages 86 to 146 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	As at 31 December 2021 HKD'000	As at 31 December 2020 HKD'000 (restated)	As at 1 January 2020 HKD'000 (restated)
Non-current assets				
Property, plant and equipment	15	2,178	6,782	6,292
Intangible assets	16	—	47,340	21,636
Goodwill	17	—	—	—
Right-of-use assets	18	1,225	8,855	10,597
Financial assets at fair value through profit or loss	19	—	—	—
Deposits	20	35,291	514	—
		38,694	63,491	38,525
Current assets				
Trade receivables	21	9,620	110,396	156,861
Prepayment, deposits and other receivables		1,220	1,940	6,322
Short-term bank deposits	22	—	23,763	112,315
Cash and cash equivalents	22	347,755	708,317	165,098
		358,595	844,416	440,596
Current liabilities				
Lease liabilities	18	779	2,655	2,979
Trade and other payables	23	229,069	30,842	17,757
Deferred revenue	24	18	160	156
Dividend payables		—	1,706	—
Promissory notes	25	252,200	—	—
Tax payables		2,167	11,660	348
		484,233	47,023	21,240
Net current (liabilities)/assets		(125,638)	797,393	419,356
Total assets less current liabilities		(86,944)	860,884	457,881
Non-current liabilities				
Lease liabilities	18	411	6,715	7,893
Promissory notes	25	366,613	—	—
Deferred tax liabilities	26	1,671	36,358	21,211
		368,695	43,073	29,104
Net (liabilities)/assets		(455,639)	817,811	428,777
Equity				
Share capital	27	3,200	3,200	3,200
Reserves	28	(464,589)	812,919	425,882
Total equity attributable to owners of the Company		(461,389)	816,119	429,082
Non-controlling interests		5,750	1,692	(305)
Total (deficit)/equity		(455,639)	817,811	428,777

The notes on pages 86 to 146 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 2021

	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 2020 (restated)	3,200	41,782	14,200	13,800	15,260	1,472	(13,089)	352,457	429,082	(305)	428,777
Profit for the year	–	–	–	–	–	–	–	386,180	386,180	1,911	388,091
Other comprehensive income for the year:											
– Exchange differences on translation of foreign operations	–	–	–	–	–	–	29,774	–	29,774	86	29,860
– Exchange differences reclassified to profit or loss upon disposal of investment accounted for using equity method	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	29,774	386,180	415,954	1,997	417,951
Final dividends in respect of 2019	–	–	–	–	–	–	–	(30,000)	(30,000)	–	(30,000)
Appropriation to statutory reserve *(Note 28(d))*	–	–	–	–	640	–	–	(640)	–	–	–
Equity-settled share-based transactions *(Note 29)*	–	–	–	–	–	1,083	–	–	1,083	–	1,083
At 31 December 2020 (restated)	3,200	41,782	14,200	13,800	15,900	2,555	16,685	707,997	816,119	1,692	817,811
At 1 January 2021 (restated)	**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 28(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)**

* The aggregate balances of the deficit amounts of approximately HKD464,589,000 and reserve amounts of approximately HKD812,919,000 (restated) are included as reserves as at 31 December 2021 and 2020 respectively in the consolidated statement of financial position.

The notes on pages 86 to 146 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 HKD'000	2020 HKD'000 (restated)
Cash flows from operating activities			
(Loss)/profit before income tax		**(1,113,471)**	471,486
Adjustments for:			
Amortisation of intangible assets		**63,416**	7,542
Write-off of intangible assets		**—**	2,914
Depreciation of property, plant and equipment		**4,412**	2,532
Depreciation of right-of-use assets		**4,783**	2,601
Termination of a lease		**—**	143
Interest income		**(8,073)**	(7,182)
Interest expenses on lease liabilities		**452**	446
Interest expenses on promissory notes		**18,162**	—
Imputed interest expenses on promissory notes		**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**	70
Share-based payment expenses		**755**	1,083
COVID-19-related rent concessions		**—**	(573)
Exchange difference		**13,326**	—
Operating profit before working capital changes		**745,489**	481,062
Decrease in trade receivables		**53,390**	53,331
Decrease in prepayments, deposits and other receivables		**31,175**	4,225
(Decrease)/increase in trade and other payables		**(129,802)**	11,745
Increase in deferred revenue		**563**	4
Cash generated from operating activities		**700,815**	550,367
Tax paid		**(150,204)**	(60,005)
Net cash generated from operating activities		**550,611**	490,362
Cash flows from investing activities			
Interest received		**8,073**	7,182
Additions of intangible assets		**(22,178)**	(33,479)
Decrease in short-term bank deposits		**24,116**	90,701
Purchases of property, plant and equipment		**(4,576)**	(2,700)
Disposals of property, plant and equipment		**1**	5
Purchases of financial assets at fair value through profit or loss	*19*	**(17,973)**	—
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)/generated from investing activities		**(741,980)**	61,709

For the year ended 31 December 2021

	Note	2021 HKD'000	2020 HKD'000 (restated)
Cash flows from financing activities			
Dividends paid		(51,703)	(30,000)
Dividends paid to non-controlling interests of a subsidiary		(450)	—
Capital injection by the major shareholder		3,020	—
Capital injection by non-controlling interests of subsidiaries		6,122	—
Repayments of principal of promissory notes	25	(130,623)	—
Repayments of principal portion of lease liabilities	18	(4,740)	(1,961)
Repayments of interest portion of lease liabilities	18	(452)	(446)
Net cash used in financing activities		(178,826)	(32,407)
Net (decrease)/increase in cash and cash equivalents		(370,195)	519,664
Cash and cash equivalents at beginning of the year		708,317	165,098
Effect of foreign exchange rate changes		9,633	23,555
Cash and cash equivalents at end of the year		347,755	708,317
Analysis of cash and cash equivalents			
Cash at banks and on hand		347,755	141,624
Short-term bank deposits with original maturity of less than three months		—	566,693
		347,755	708,317

The notes on pages 86 to 146 form part of these consolidated financial statements.

1. GENERAL INFORMATION

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

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

The consolidated financial statements for the year ended 31 December 2021 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 2021

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 accounting year's consolidated financial statements:

Amendment to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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.

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[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
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 2022 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. The measurement bases are fully described in the accounting policies in Note 4.

3. BASIS OF PREPARATION (Continued)

(c) Change in presentation currency

Prior to 1 January 2021, Renminbi ("RMB") was regarded as the presentation currency of the Company and the consolidated financial statements were also presented in RMB. Having considered that the Company's shares are listed on the Stock Exchange and its stock is traded in Hong Kong Dollars ("HKD"), the directors of the Company ("Directors") believe that it is more appropriate to use HKD as the presentation currency as it enables the shareholders and potential investors of the Company to have a more accurate picture of the Group's financial performance. The change in presentation currencies was accounted for in accordance with HKAS 21 The Effects of Changes in Foreign Exchange Rates. Comparative figures have been re-stated to reflect the change in the Group's presentation currency. The Group has also presented the consolidated statement of financial position as at 1 January 2020 without related notes.

For the purpose of re-presentation of the consolidated financial statements of the Group from RMB to HKD, the assets and liabilities as at 1 January 2020 and 31 December 2020 were translated into HKD at the closing rate as of the respective reporting dates. Income and expenses are translated at the average exchange rates for the respective years. Share capital, share premium and reserves were translated at the exchange rate at the date when the respective amounts were determined (i.e., historical exchange rates).

Change in units of presentation of accounts

In previous years, the consolidated accounts were presented in RMB. From 2021 onwards, the Group decided to present the consolidated accounts in HKD, rounded to the nearest thousand, as it simplifies the accounts and provides a better view on material items.

(d) Deconsolidation

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

The Directors are of the view that from the date of the event that the Public Security Bureau of Yuanjiang, Hunan Province, the 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 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

3. BASIS OF PREPARATION (Continued)

(d) Deconsolidation (Continued)

— 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 all the PRC Major Subsidiaries shall be deconsolidated from the Group with effect from 4 December 2021, on the basis that (i) the relevant computers and equipment (including but not limited to the official seals, financial seals, financial records and computer hardware), which is necessary for operating the mobile games business in the PRC, were confiscated and withheld 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.

(e) Going concern basis

For the year ended 31 December 2021, the Group recorded a net loss attributable to the owners of the Company of approximately HKD1,213,086,000 for the year ended 31 December 2021, and as at 31 December 2021, the Group's current liabilities exceeded its current assets by approximately HKD125,638,000 and the Group had net liabilities of approximately HKD455,639,000.

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.

3. BASIS OF PREPARATION (Continued)

(e) Going concern basis (Continued)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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. Noncontrolling 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 noncontrolling 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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;

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Intangible assets (Continued)

(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.

(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 straightline 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leasing (Continued)

(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.

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.

Rent concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient as detailed in Note 2(a).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(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 operated 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue recognition (Continued)

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue recognition (Continued)

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

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 intangible 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 2021 and 2020, 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

	2021 ***HKD'000***	2020 *HKD'000* *(restated)*
Revenue from customers:		
Game and software development and publishing	**64,384**	512,660
Game operation and publishing	**970,831**	73,440
	1,035,215	586,100

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.

6. SEGMENT INFORMATION (Continued)

(a) *Reportable segments (Continued)*

Information regarding the Group's reportable segments for the years ended 31 December 2021 and 2020 is set out below.

	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

	For the year ended 31 December 2020		
	Game and software development and publishing *HKD'000* *(restated)*	Game operation and publishing *HKD'000* *(restated)*	Total *HKD'000* *(restated)*
Revenue from external customers	513,278	73,440	586,718
Inter-segment revenue	(618)	—	(618)
Reportable segment revenue	512,660	73,440	586,100
Reportable segment profit	468,747	9,638	478,385
Interest income	6,609	9	6,618
Government grants	2,331	—	2,331
Finance costs	439	7	446
Depreciation and amortisation	12,459	216	12,675
Write-off of intangible assets	2,914	—	2,914
Income tax expense	81,941	1,454	83,395
Reportable segment assets	810,846	16,984	827,830
Reportable segment liabilities	74,719	10,201	84,920
Additions to non-current assets#	38,064	1,143	39,207

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

	2021 HKD'000	2020 HKD'000 (restated)
(Loss)/profit before income tax		
Reportable segment (loss)/profit	(1,065,808)	478,385
Unallocated interest income	68	564
Unallocated corporate expenses	(47,731)	(7,463)
Consolidated (loss)/profit before income tax	(1,113,471)	471,486
Assets		
Reportable segment assets	311,343	827,830
Unallocated corporate assets	85,946	80,077
Consolidated total assets	397,289	907,907
Liabilities		
Reportable segment liabilities	165,226	84,920
Unallocated corporate liabilities	687,702	5,176
Consolidated total liabilities	852,928	90,096

(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.

	2021 HKD'000	2020 HKD'000 (restated)
Primary geographical markets*		
The PRC	920,252	511,616
Asia Pacific	114,963	73,613
Europe	—	871
	1,035,215	586,100

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

6. SEGMENT INFORMATION (Continued)

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

	2021 **HKD'000**	2020 *HKD'000* *(restated)*
Timing of revenue recognition		
Over time	**7,593**	25,377
At a point in time	**1,027,622**	560,723
	1,035,215	586,100

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

	2021 **HKD'000**	2020 *HKD'000* *(restated)*
Non-current assets		
The PRC	**—**	61,987
Thailand	**1,383**	1,278
Hong Kong	**35,497**	226
Singapore	**1,814**	—
	38,694	63,491

(c) Information about major Licensed Operators

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

	2021 **HKD'000**	2020 *HKD'000* *(restated)*
Licensed Operator A	**N/A**	409,521
Licensed Operator B	**N/A**	92,541
	N/A	502,062

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

7. REVENUE AND OTHER INCOME

	2021 HKD'000	2020 HKD'000 (restated)
Revenue		
Game and software development and publishing	64,384	512,660
Game operation and publishing	970,831	73,440
	1,035,215	586,100
Other income		
Government grants *(Note)*	13,866	2,331
Interest income	8,073	7,182
COVID-19-related rent concessions received	—	573
Others	5,035	3,614
	26,974	13,700

Note:

During the year ended 31 December 2021, the Group received grants from the PRC government for awarding the contribution to economic growth and technology development amounting to HKD13,866,000 (2020: HKD1,991,000) and Nil (2020: HKD340,000) respectively.

8. FINANCE COSTS

	2021 HKD'000	2020 HKD'000 (restated)
Interest expenses on lease liabilities	452	446
Imputed interest expenses on promissory notes	801	—
Interest expenses on promissory notes	18,162	—
	19,415	446

9. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging:

	2021 **HKD'000**	2020 *HKD'000* *(restated)*
Auditors' remuneration:		
— Audit service		
— Current external auditor	**3,000**	—
— Previous external auditor	**108**	760
— Non-audit service		
— Previous external auditor	**300**	—
Amortisation of intangible assets*	**63,416**	7,542
Write-off of intangible assets	**—**	2,914
Depreciation of property, plant and equipment**	**4,412**	2,532
Depreciation of right-of-use assets**	**4,783**	2,601
Termination of a lease	**—**	143
Loss on disposals of property, plant and equipment	**3**	70
Short-term leases expenses	**2,328**	290
Legal and professional fees	**11,476**	6,860
Exchange loss, net	**8,682**	8,174

* 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

	2021 **HKD'000**	2020 *HKD'000* *(restated)*
Current year — PRC Enterprise Income Tax ("EIT")		
— Tax for the year	**87,620**	47,659
— Over-provision in respect of prior years	**—**	(148)
— Withholding tax on dividends	**49,882**	21,379
Current year — Thailand Corporate Income Tax ("CIT")		
— Tax for the year	**3,849**	1,454
— Over-provision in respect of prior years	**(650)**	—
— Withholding tax on dividends	**122**	—
	140,823	70,344
Deferred tax *(note 26)*	**(42,837)**	13,051
	97,986	83,395

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 2021 and 2020.

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 2021.

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, one of the subsidiaries of the Company, 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 years ended 31 December 2021 and 2020, Shenzhen Fire Element Network Science and Technology, another subsidiary incorporated in the PRC before deconsolidateion 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 years ended 31 December 2021 and 2020.

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.

10. INCOME TAX EXPENSE (Continued)

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

	2021 *HKD'000*	2020 *HKD'000* *(restated)*
(Loss)/profit before income tax	**(1,113,471)**	471,486
Tax on (loss)/profit before income tax, calculated at the applicable tax rates	**(171,045)**	119,838
Tax effect of non-deductible expenses for tax purpose	**281,909**	2,163
Tax effect of non-taxable income for tax purpose	**(1,020)**	(329)
Effect of preferential tax rates granted to the subsidiaries operated in the PRC	**(27,181)**	(72,465)
Tax effect of unrecognised (accelerated)/decelerated tax allowances	**(174)**	38
Tax effect of utilisation of tax losses previously not recognised	**—**	(366)
Tax effect of tax losses not recognised	**768**	234
Withholding tax on dividends	**15,379**	34,430
Over-provision in respect of prior years	**(650)**	(148)
Income tax expense	**97,986**	83,395

11. DIVIDENDS

On 17 April 2020, the Company declared a final dividend for 2019, in form of HKD30,000,000 in cash (or HKD0.09375 per share).

On 30 March 2021, a final dividend, in the form of HKD49,997,000 in cash (or HKD0.05208 per share) in respect of the year ended 31 December 2020 has been declared and proposed by the Board and is approved by the shareholders in the annual general meeting held on 12 May 2021.

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

12. (LOSS)/EARNINGS PER SHARE

	2021	2020
Issued ordinary shares at the beginning of the year	**960,000,000**	320,000,000
Effect of share subdivisions which have been completed on 19 August 2020	**–**	640,000,000
Effect of share subdivisions which have been completed on 4 May 2021	**2,880,000,000**	2,880,000,000
Weighted average number of ordinary shares of the year	**3,840,000,000**	3,840,000,000

The calculations of basic (loss)/earnings per share have taken into account the effect of share subdivisions (Note 27), which have been completed on 4 May 2021 and 19 August 2020 respectively.

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately HKD1,213,086,000 (2020: profit attributable to owners of the Company of approximately HKD386,180,000) and the weighted average number of 3,840,000,000 ordinary shares (2020: 3,840,000,000 ordinary shares) in issue during the year.

Diluted (loss)/earnings per share are the same as the basic (loss)/earnings per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2021 and 2020.

13. STAFF COSTS

	2021 ***HKD'000***	2020 *HKD'000* *(restated)*
Staff costs (including directors' emoluments *(note 14(a))*) comprise:		
Salaries, allowances and benefits in kind	**47,788**	22,867
Contributions to defined retirement pension scheme	**5,275**	1,437
Share-based payment expenses *(note 29)*	**755**	1,083
	53,818	25,387

Staff costs are included in:

	2021 ***HKD'000***	2020 *HKD'000* *(restated)*
Direct costs	**9,571**	10,096
Distribution costs	**8,250**	3,653
Administrative expenses	**35,997**	11,638
	53,818	25,387

14. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments of the directors are set out below:

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*	Share-based payment expenses *HKD'000*	Total *HKD'000*
Executive directors						
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
Non-executive directors						
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
Independent Non-executive directors						
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)

(a) Directors' emoluments (Continued)

Year ended 31 December 2020

	Fees HKD'000 (restated)	Salaries, allowances and benefits in kind HKD'000 (restated)	Contributions to defined retirement pension scheme HKD'000 (restated)	Discretionary bonus HKD'000 (restated)	Share-based payment expenses HKD'000 (restated)	Total HKD'000 (restated)
Executive directors						
Mr. Huang Yong	—	545	8	268	—	821
Mr. Zhou Kun *(appointed on 10 August 2020)*	—	248	3	271	69	591
Mr. Su Yi *(appointed on 14 October 2020)*	—	145	2	146	—	293
Mr. Wu Zhe *(resigned on 10 August 2020)*	—	210	4	—	—	214
Mr. Rao Zhen Wu *(resigned on 10 August 2020)*	—	210	4	—	—	214
Non-executive directors						
Mr. Zhang Yan	—	344	8	27	—	379
Ms. Yang Kan	180	—	—	—	—	180
Independent Non-executive directors						
Mr. Chan King Fai	180	—	—	—	—	180
Mr. Chen Di	180	—	—	—	—	180
Mr. Yang Zhen	180	—	—	—	—	180
Total	720	1,702	29	712	69	3,232

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 (2020: one) is the director of the Company whose emoluments are included in the analysis presented above. The emoluments of the remaining three (2020: four) highest paid individuals during the years ended 31 December 2021 and 2020 are as follows:

	2021 ***HKD'000***	2020 *HKD'000* *(restated)*
Salaries, allowances and benefits in kind	**2,034**	2,414
Discretionary bonus	**121**	1,863
Share-based payment expenses	**—**	219
Contributions to defined contribution retirement plans	**47**	30
	2,202	4,526

Their emoluments fell within the following brands:

	2021 ***No. of individuals***	2020 *No. of individuals*
Nil–HKD1,000,000	**3**	1
HKD1,000,001–HKD1,500,000	**—**	3

During the years ended 31 December 2021 and 2020, 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 2021.

(c) Senior management

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

	2021 ***No. of individuals***	2020 *No. of individuals*
Nil–HKD1,000,000	**1**	2
HKD1,000,001–HKD1,500,000	**—**	1

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 2020 (restated)	6,018	204	4,674	–	10,896
Additions	1,908	792	–	–	2,700
Disposals	(627)	(180)	–	–	(807)
Exchange alignment	441	46	283	–	770
At 31 December 2020 and 1 January 2021 (restated)	**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	**510**	**309**	**144**	**1,736**	**2,699**
Accumulated depreciation					
At 1 January 2020 (restated)	3,921	156	527	–	4,604
Charge for the year	1,569	127	836	–	2,532
Written back on disposals	(576)	(156)	–	–	(732)
Exchange alignment	301	9	63	–	373
At 31 December 2020 and 1 January 2021 (restated)	**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	**212**	**64**	**26**	**219**	**521**
Net carrying value					
At 31 December 2021	**298**	**245**	**118**	**1,517**	**2,178**
At 31 December 2020	2,525	726	3,531	–	6,782

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 2020 (restated)	38,316	12,273	—	—	—	50,589
Additions	—	33,479	—	—	—	33,479
Transfer	11,953	(11,953)	—	—	—	—
Write-off	—	(2,914)	—	—	—	(2,914)
Exchange alignment	3,133	1,832	—	—	—	4,965
At 31 December 2020 and 1 January 2021 (restated)	**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	**—**	**—**	**—**	**—**	**—**	**—**
Accumulated amortisation and impairment						
At 1 January 2020 (restated)	28,953	—	—	—	—	28,953
Charge for the year	7,542	—	—	—	—	7,542
Exchange alignment	2,284	—	—	—	—	2,284
At 31 December 2020 and 1 January 2021 (restated)	**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	**—**	**—**	**—**	**—**	**—**	**—**
Net carrying value						
At 31 December 2021	**—**	**—**	**—**	**—**	**—**	**—**
At 31 December 2020	14,623	32,717	—	—	—	47,340

17. GOODWILL

	As at 31 December 2021 HKD'000	As at 31 December 2020 HKD'000
COST		
At beginning of the year	–	–
Acquisition of subsidiaries *(note 31)*	764,628	–
Deconsolidation of subsidiaries *(note 32)*	(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 PRC, Hong Kong and Thailand. The leases of buildings comprise only fixed payments over the lease terms.

Right-of-use assets

	HKD'000
Cost	
At 1 January 2020 (restated)	13,543
Additions	951
Termination of lease	(697)
Exchange alignment	873
At 31 December 2020 and 1 January 2021 (restated)	**14,670**
Additions of new leases	**4,338**
Acquisition of subsidiaries *(note 31)*	**945**
Deconsolidation of subsidiaries *(note 32)*	**(17,295)**
Exchange alignment	**307**
At 31 December 2021	**2,965**
Accumulated depreciation	
At 1 January 2020 (restated)	2,946
Charge for the year	2,601
Termination of a lease	(87)
Exchange alignment	355
At 31 December 2020 and 1 January 2021 (restated)	**5,815**
Charge for the year	**4,783**
Deconsolidation of subsidiaries *(note 32)*	**(9,012)**
Exchange alignment	**154**
At 31 December 2021	**1,740**
Net carrying value	
At 31 December 2021	**1,225**
At 31 December 2020	8,855

As at 31 December 2020, there is one lease of office premises in the PRC that contains an extension option. The Group determines that it is reasonably certain to exercise the extension option and the future lease during this extension period has been included in the measurement of right-of-use assets and lease liabilities. Except for the above, there are no extension or termination options on the Group's leases.

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

Lease liabilities

	31 December 2021 Present Value of minimum lease payment *HKD'000*	Total minimum lease payment *HKD'000*	31 December 2020 Present Value of minimum lease payment *HKD'000* *(restated)*	Total minimum lease payment *HKD'000* *(restated)*
Maturity analysis:				
Within 1 year	**779**	**787**	2,655	3,040
After 1 year but within 2 years	**411**	**419**	2,518	2,783
After 2 years but within 5 years	**—**	**—**	4,197	4,367
	1,190	**1,206**	9,370	10,190
Less: Interest		**(16)**		(820)
		1,190		9,370
Analysed as:				
Non-current		**411**		6,715
Current		**779**		2,655
		1,190		9,370

Reconciliation of liabilities arising from financing activities:

	2021 *HKD'000*	2020 *HKD'000* *(restated)*
At 1 January	**9,370**	10,873
Changes from cash flows:		
Payment of principal element of lease liabilities	**(4,740)**	(1,961)
Payment of interest element of lease liabilities	**(452)**	(446)
Other changes:		
Finance costs	**452**	446
Acquisition of subsidiaries *(note 31)*	**924**	—
Addition of new leases	**4,338**	951
Deconsolidation of subsidiaries *(note 32)*	**(8,868)**	—
Termination of a lease	**—**	(467)
COVID-19-related rent concessions *(note 7)*	**—**	(573)
Exchange alignment	**166**	547
At 31 December	**1,190**	9,370

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

	2021 ***HKD'000***	2020 *HKD'000* *(restated)*
Refundable deposits paid in respect of strategic acquisition of equity interest in a digital payment services provider in Singapore *(Note)*	**35,024**	—
Rental deposits	**267**	514
	35,291	514

Note:

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.

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:

	2021 ***HKD'000***	2020 *HKD'000* *(restated)*
0–30 days	**9,620**	55,614
31–60 days	**–**	26,240
61–90 days	**–**	3,659
91–120 days	**–**	256
More than 120 days	**–**	24,627
	9,620	110,396

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 2021 and 2020.

The Group does not hold any collateral over these balances.

22. SHORT-TERM BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2021 ***HKD'000***	2020 *HKD'000* *(restated)*
Cash at banks and on hand	**347,755**	141,624
Short-term bank deposits with original maturity of less than three months	**—**	566,693
Cash and cash equivalents	**347,755**	708,317
Short-term bank deposits with original maturity of more than three months	**—**	23,763
	347,755	732,080

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 short-term bank deposits and cash and cash equivalents were denominated in following currencies at the end of the reporting period is shown as follows:

	2021 ***HKD'000***	2020 *HKD'000* *(restated)*
Euro ("EUR")	**46**	50
HKD	**5,965**	5,197
United States dollars ("USD")	**112,253**	265,010
Thai Baht ("THB")	**19,406**	7,067
Singapore dollars ("SGD")	**575**	—
RMB	**209,510**	454,756
	347,755	732,080

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.

23. TRADE AND OTHER PAYABLES

	2021 **HKD'000**	2020 *HKD'000* *(restated)*
Trade payables	**–**	396
Other payables	**1,924**	12,346
Accruals	**10,751**	18,100
Amounts due to a deconsolidated subsidiary *(note)*	**216,394**	–
	229,069	30,842

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

	2021 **HKD'000**	2020 *HKD'000* *(restated)*
Less than 30 days	**–**	396

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

	2021 **HKD'000**	2020 *HKD'000* *(restated)*
Current	**18**	160

As at 31 December 2021 and 2020, 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 contacts from customers"*.

24. DEFERRED REVENUE (Continued)

As at 31 December 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts amounted to approximately HKD18,000 (2020: HKD160,000). 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.

	2021	2020
	HKD'000	*HKD'000*
		(restated)
Movements in deferred revenue		
At 1 January	**160**	156
Increase as a result of receiving in-game purchase paid by the Paying Players but revenue not recognised	**723**	150
Decrease as a result of recognising revenue during the year that was included in the deferred revenue at the beginning of the year	**(160)**	(156)
Deconsolidation of subsidiaries *(note 32)*	**(704)**	—
Exchange realignment	**(1)**	10
At 31 December	**18**	160

25. PROMISSORY NOTES

	2021	2020
	HKD'000	*HKD'000*
At beginning of the year	**—**	—
Issuance of promissory notes *(note 31)*	**717,147**	—
Accrued interest expenses	**18,162**	—
Imputed interest accrued	**801**	—
Repayment of principal of promissory notes	**(130,623)**	—
Exchange alignment recognised in profit or loss	**13,326**	—
At the end of the year	**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%.

25. PROMISSORY NOTES (Continued)

Represented by:

	2021 **HKD'000**	2020 HKD'000
Current	**252,200**	—
Non-current	**366,613**	—
	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 2020 (restated)	21,211	—	—	21,211
Charge for the year	13,051	—	—	13,051
Exchange alignment	2,096	—	—	2,096
At 31 December 2020 and 1 January 2021 (restated)	**36,358**	**—**	**—**	**36,358**
Acquisition of subsidiaries *(note 31)*	**—**	**89,015**	**533**	**89,548**
Deconsolidation of subsidiaries *(note 32)*	**—**	**(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**

Deferred tax liabilities have not been provided for in the consolidated financial statements in respect of the accumulated undistributed retained profits of the PRC subsidiaries amounting to Nil at 31 December 2021 (2020: HKD182,956,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

As at 31 December 2021, the Group has unutilised tax losses arising from Hong Kong of approximately HKD9,466,000 (2020: HKD4,812,000) that are available for offsetting against future taxable income indefinitely.

As at 31 December 2021, taxable (2020: deductible) temporary difference arising from the accelerated (2020: decelerated) tax allowances of approximately HKD807,000 (2020: HKD234,000) has not been recognised in the consolidated financial statements owing to its immateriality.

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.

27. SHARE CAPITAL

	Number of ordinary shares	Amount HKD'000
Authorised:		
At 1 January 2020	2,000,000,000	20,000
Share subdivision *(note (a))*	4,000,000,000	—
At 31 December 2020 and 1 January 2021	**6,000,000,000**	**20,000**
Share subdivision *(note (b))*	**18,000,000,000**	**—**
At 31 December 2021	**24,000,000,000**	**20,000**
Issued and fully paid:		
At 1 January 2020	320,000,000	3,200
Share subdivision *(note (a))*	640,000,000	—
At 31 December 2020 and 1 January 2021	**960,000,000**	**3,200**
Share subdivision *(note (b))*	**2,880,000,000**	**—**
At 31 December 2021	**3,840,000,000**	**3,200**

Notes:

(a) The shareholders of the Company approved that each of the authorised and issued ordinary share of HKD0.01 each was subdivided into three subdivided ordinary shares of one third Hong Kong cents each and the share subdivision was became effective on 19 August 2020.

(b) 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.

28. RESERVES

Details of the movements on the Group's reserves for the years ended 31 December 2021 and 2020 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 *HKD'000* *(restated)*	Capital reserve *HKD'000* *(restated)*	Share-based payment reserve *HKD'000* *(restated)*	Retained profits/ (accumulated losses) *HKD'000* *(restated)*	Total *HKD'000* *(restated)*
At 1 January 2020	41,782	28,000	1,472	264,977	336,231
Profit for the year	—	—	—	311,528	311,528
Dividends	—	—	—	(30,000)	(30,000)
Equity-settled share-based transactions *(note 29)*	—	—	1,083	—	1,083
At 31 December 2020 and 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	**41,782**	**31,020**	**3,310**	**(640,497)**	**(564,385)**

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 2021, share-based payment expenses of approximately HKD755,000 (2020: HKD1,083,000) 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:

	2021 ***HKD'000***	2020 *HKD'000*
At 1 January	**2,555**	1,472
Equity-settled share-based transactions	**755**	1,083
At 31 December	**3,310**	2,555

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

	2021 ***Number***	2020 *Number*
At 1 January	**1,848,000**	626,000
Share subdivision *(Note)*	**5,544,000**	1,252,000
	7,392,000	1,878,000
Forfeited due to termination of employment	**(24,000)**	(30,000)
Vested during the year	**(7,368,000)**	—
At 31 December	**—**	1,848,000

Note:

The number of award shares were subdivided into four and three subdivided ordinary shares on 4 May 2021 and 19 August 2020 respectively (Note 26).

As at 31 December 2021, all of the award shares outstanding were forfeited or vested. As at 31 December 2020, the award shares outstanding had the remaining vesting period of 0.78 years.

30. RELATED PARTY TRANSACTIONS

(a) 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 2021 and 2020.

(b) 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:

	HKD'000
Property, plant and equipment *(note 15)*	1,973
Intangibles assets *(note 16)*	357,717
Right-of-use assets *(note 18)*	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 *(note 18)*	(924)
Deferred tax liabilities *(note 26)*	(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.

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

Fair value of net assets to be acquired represents:

	HKD'000
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 *(note 17)*	764,628
Fair value of purchase considerations	1,076,592
Fair value of purchase considerations represented by:	
Cash consideration	359,445
Promissory notes *(note 25)*	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.

Net cash outflow arising from the Acquisition:

	HKD'000
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.

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

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

32. DECONSOLIDATION OF SUBSIDIARIES

As disclosed in note 3(d) 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:

	HKD'000
Property, plant and equipment *(note 15)*	6,906
Intangible assets *(note 16)*	372,068
Right-of-use assets *(note 18)*	8,283
Goodwill *(note 17)*	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 *(note 18)*	(8,868)
Tax payable	(108)
Deferred tax liabilities *(note 26)*	(83,083)
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)
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:

	HKD'000
Bank balances and cash	(430,308)

33. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 December 2021** *HKD'000*	As at 31 December 2020 *HKD'000* *(restated)*	As at 1 January 2020 *HKD'000* *(restated)*
Non-current assets				
Interest in subsidiaries		**—**	2,555	1,472
Deposits		**35,024**	—	—
Financial assets at fair value through profit or loss		**—**	—	—
		35,024	2,555	1,472
Current assets				
Prepayments, deposits and other receivables		**455**	24	32
Amounts due from subsidiaries	*33(a)*	**—**	228,659	149,121
Dividend receivables		**—**	318,426	188,662
Cash and cash equivalents		**113,048**	80,052	3,772
		113,503	627,161	341,587
Current liabilities				
Dividend payables		**—**	1,706	—
Accruals and other payables		**7,337**	3,468	1,128
Promissory notes	*25*	**252,200**	—	—
Amounts due to subsidiaries	*33(a)*	**83,562**	2,500	2,500
		343,099	7,674	3,628
Net current (liabilities)/assets		**(229,596)**	619,487	337,959
Total assets less current liabilities		**(194,572)**	622,042	339,431
Non-current liabilities				
Promissory notes	*25*	**366,613**	—	—
		366,613	—	—
Net (liabilities)/assets		**(561,185)**	622,042	339,431
Equity				
Share capital		**3,200**	3,200	3,200
Reserves		**(564,385)**	618,842	336,231
Total (deficit)/equity		**(561,185)**	622,042	339,431

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

34. INTERESTS IN SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2021:

Name	Form of business structure	Place of incorporation	Place of operations	Description of shares held	Proportion of effective equity interests held by the Company 2021	2020	Principal activities
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%**	N/A	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%**	73.5%	Mobile game operation
Lord Metaverse Co., Ltd. (formerly known as "Tikmi World Co., Ltd.") *(note (b))*	Limited liability company	Thailand	Thailand	Registered capital of THB250,000	**49%**	N/A	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) 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.

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

34. INTERESTS IN SUBSIDIARIES (Continued)

	2021 **HKD'000**
NCI percentage	**33.85%**
Non-current assets	**27,826**
Current assets	**1,357**
Current liabilities	**10,095**
Non-current liabilities	**1,963**
Net assets	**17,125**
Carrying amount of NCI	**5,796**

	2021 **HKD'000**
Revenue	**114,963**
Profit for the year	**12,938**
Total comprehensive income	**11,875**
Profit allocated to NCI	**3,687**
Dividend paid to NCI	**450**
Cash flows from operating activities	**14,459**
Cash flows used in investing activities	**(623)**
Cash flows used in financing activities	**(1,876)**

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 2021 was approximately HKD455,639,000 (2020: capital of approximately HKD817,811,000).

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):

	2021 *HKD'000*	2020 *HKD'000* *(restated)*
Financial assets		
At amortised costs:		
Trade receivables	**9,620**	110,396
Deposits and other receivables	**35,494**	1,465
Short-term bank deposits	**—**	23,763
Cash and cash equivalents	**347,755**	708,317
	392,869	843,941
Financial liabilities		
At amortised costs:		
Lease liabilities	**1,190**	9,370
Trade and other payables*	**228,007**	26,809
Promissory notes	**618,813**	—
	848,010	36,179

* 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, short-term bank deposits, cash and cash equivalents, lease liabilities as well as trade and other payables. Due to their short-term nature, the carrying values of these financial instruments approximate their fair values.

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, 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 2021, three payment platform operators (2020: two Licensed Operators) with the highest trade receivables balance were approximately HKD9,620,000 (2020: HKD95,666,000) and represented 100% (2020: approximately 87%) 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 years ended 31 December 2020 and 2021.

The credit risks for deposits and other receivables of the Group are considered immaterial as the counterparty have a low risk of default. Thus, no loss allowance was recognised.

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 *HKD'000*	Total contractual undiscounted cash flows *HKD'000*	Within 1 year or on demand *HKD'000*	More than 1 year but less than 2 years *HKD'000*	More than 2 years but less than 5 years *HKD'000*
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**

	Carrying amount *HKD'000* *(restated)*	Total contractual undiscounted cash flows *HKD'000* *(restated)*	Within 1 year or on demand *HKD'000* *(restated)*	More than 1 year but less than 2 years *HKD'000* *(restated)*	More than 2 years but less than 5 years *HKD'000* *(restated)*
At 31 December 2020					
Trade and other payables	26,809	26,809	26,809	–	–
Lease liabilities	9,370	10,190	3,040	2,783	4,367
Total	36,179	36,999	29,849	2,783	4,367

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 2021 and 2020. 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 2021 and 2020, 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 (2020: EUR, USD, JPY and SGD).

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

	2021 ***HKD'000***	2020 *HKD'000* *(restated)*
Net monetary assets		
EUR	**46**	1,794
USD	**149,385**	263,553
JPY	**—**	1
RMB	**(625,697)**	—
SGD	**—**	(2,210)

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

	Year ended 31 December 2020			
	Appreciates against HKD	Increase/ (decrease) in profit for the year and retained profits *HKD'000* *(restated)*	Depreciates against HKD	(Decrease)/ increase in profit for the year and retained profits *HKD'000* *(restated)*
EUR	5%	81	5%	(81)
USD	5%	11,006	5%	(11,006)
JPY	5%	—	5%	—
SGD	5%	(88)	5%	88

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.

38. CAPITAL COMMITMENT

As at 31 December 2021 and 2020, the Group did not have material capital commitments.

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) On 7 September 2022, the Group entered into a non-legally binding memorandum of understanding with vendors, pursuant to which, the vendors agreed to sell and the Group agreed to acquire entire equity shares in Summer Mountain Limited and its subsidiaries (the "Summer Mountain Group") for the consideration of RMB80 million which will be satisfied by cash RMB16,000,000 and RMB64,000,000 will be satisfied by issuance of the Promissory Notes. The principle activities of the Summer Mountain Group are (i) provision of online marketing support, and provision of Internet technology services and technology development to clients; (ii) sales of virtual goods and offline promotion; and (iii) live broadcast and e-commerce operations business. At the date of this report, a deposit of RMB12,500,000 had been paid to the vendors.

(d) Subsequent to the 31 December 2021 and up to the date of this report, the Group paid USD2,000,000 to general partner as an initial investment for a private fund which is wholly owned by the Group.

(e) As disclosed in note 23, the Group has fully settled the outstanding balances due to Shenzhen Fire Element of approximately HKD216,394,000 before the date of approval of the consolidated financial statements.