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火岩控股
FIRE ROCK HOLDINGS

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

(Stock code: 8345)

ANNOUNCEMENT OF QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of Fire Rock Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS (UNAUDITED)

- For the three months ended 31 March 2017, the Group's revenue increased from approximately RMB8.8 million for the three months ended 31 March 2016 to approximately RMB14.4 million.
- For the three months ended 31 March 2017, the Group's gross profit increased from approximately RMB7.7 million for the three months ended 31 March 2016 to approximately RMB12.2 million.
- For the three months ended 31 March 2017, the Group's profit increased from approximately RMB2.1 million for the three months ended 31 March 2016 to approximately RMB8.6 million.
- The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2017.

QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the “**Board**”) of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2017 (the “**Reporting Period**”) together with the comparative figures for the three months ended 31 March 2016. The results have been reviewed by the audit committee of the Company.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)**
FOR THE THREE MONTHS ENDED 31 MARCH

		For the three months ended 31 March	
	<i>Notes</i>	2017 RMB (unaudited)	2016 RMB (unaudited)
Revenue	3	14,379,148	8,780,915
Direct costs		(2,146,664)	(1,095,525)
Gross profit		12,232,484	7,685,390
Other income	3	27,482	29,573
Game research costs		(215,602)	(158,601)
Distribution costs		(156,152)	(163,377)
Administrative expenses		(2,111,673)	(4,458,982)
Profit before income tax	4	9,776,539	2,934,003
Income tax expense	5	(1,192,297)	(803,911)
Profit for the period		8,584,242	2,130,092
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translating foreign operations		(191,020)	(461,945)
Other comprehensive income for the period		(191,020)	(461,945)
Total comprehensive income for the period		8,393,222	1,668,147
Profit for the period attributable to:			
Owners of the Company		8,584,242	2,130,092
Total comprehensive income attributable to:			
Owners of the Company		8,393,222	1,668,147
Earnings per share			
Basic and diluted (<i>RMB cents</i>)	7	5.37	1.33

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital <i>RMB</i>	Share premium <i>RMB</i>	Capital reserve <i>RMB</i>	Merger reserve <i>RMB</i>	Statutory reserve <i>RMB</i>	Dividend reserve <i>RMB</i>	Foreign exchange reserve <i>RMB</i>	Retained profits <i>RMB</i>	Total <i>RMB</i>
Three months ended 31 March 2017 (unaudited)									
At 1 January 2017	1,347,236	35,021,914	11,201,260	10,000,000	7,198,564	—	2,664,590	28,775,087	96,208,651
Profit for the period	—	—	—	—	—	—	—	8,584,242	8,584,242
Total other comprehensive income	—	—	—	—	—	—	(191,020)	—	(191,020)
Profit for the period and total other comprehensive income	—	—	—	—	—	—	(191,020)	8,584,242	8,393,222
Transactions with owners:									
Capitalisation	—	—	—	—	—	—	—	—	—
Issue of ordinary shares by way of placing	—	—	—	—	—	—	—	—	—
Share issuance expenses	—	—	—	—	—	—	—	—	—
At 31 March 2017	<u>1,347,236</u>	<u>35,021,914</u>	<u>11,201,260</u>	<u>10,000,000</u>	<u>7,198,564</u>	<u>—</u>	<u>2,473,570</u>	<u>37,359,329</u>	<u>104,601,873</u>
Three months ended 31 March 2016 (unaudited)									
At 1 January 2016	1	—	11,201,260	10,000,000	4,333,239	—	605,624	9,618,442	35,758,566
Profit for the period	—	—	—	—	—	—	—	2,130,092	2,130,092
Total other comprehensive income	—	—	—	—	—	—	(461,945)	—	(461,945)
Profit for the period and total other comprehensive income	—	—	—	—	—	—	(461,945)	2,130,092	1,668,147
Transactions with owners:									
Capitalisation	1,011,899	(1,011,899)	—	—	—	—	—	—	—
Issue of ordinary shares by way of placing	335,336	42,587,672	—	—	—	—	—	—	42,923,008
Share issuance expenses	—	(6,267,817)	—	—	—	—	—	—	(6,267,817)
At 31 March 2016	<u>1,347,236</u>	<u>35,307,956</u>	<u>11,201,260</u>	<u>10,000,000</u>	<u>4,333,239</u>	<u>—</u>	<u>143,679</u>	<u>11,748,534</u>	<u>74,081,904</u>

NOTES TO THE UNAUDITED CONDENSED 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 Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business in the PRC is located at 4/F, Dongjiang Environment Building, No.9 Langshan Road, North Zone, Hi-Tech Industries Park, Nanshan District, Shenzhen, Guangdong Province, PRC. The Company was listed on the Growth Enterprise Market (the “**GEM**”) of the Stock Exchange of Hong Kong Limited on 18 February 2016.

The Company and its subsidiaries (collectively the “**Group**”) are principally engaged in browser and mobile games development, including the game design, programming and graphics and licensing of its games in the PRC and overseas markets.

The condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity of the Group for the three months ended 31 March 2017, as well as a summary of significant accounting policies and other explanatory information (collectively, the “**First Quarterly Condensed Financial Statements**”) are unaudited, but have been reviewed by the Audit Committee and were approved and authorized for issue by the Board on 12 May 2017.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Except for the adoption of new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which are effective for the Group’s financial year beginning 1 January 2017, the accounting policies applied in preparing this unaudited first quarterly condensed financial statements for the three months ended 31 March 2017 are consistent with those of the annual financial statements for the year ended 31 December 2016 issued by the Company on 27 March 2017, as described in those annual financial statements. The condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016.

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

The unaudited First Quarterly Condensed Financial Statements has been prepared under the historical cost basis. These condensed financial statements are presented in Renminbi (“**RMB**”) except when otherwise indicated.

3. REVENUE AND OTHER INCOME

	For the three months ended 31 March	
	2017	2016
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
Revenue		
License fees and Royalties	<u>14,379,148</u>	<u>8,780,915</u>
Other income		
Interest income	<u>27,482</u>	<u>29,573</u>

4. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	For the three months ended 31 March	
	2017 RMB (unaudited)	2016 RMB (unaudited)
Auditors' remuneration	—	4,810
Depreciation of plant and equipment*	169,930	142,012
Amortisation of intangible assets**	1,317,518	686,834
Operating lease rentals in respect of land and buildings	427,404	172,795
Operating lease rentals in respect of servers	73,681	72,950
Listing expenses	—	3,330,254

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

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

5. INCOME TAX EXPENSE

	For the three months ended 31 March	
	2017 RMB (unaudited)	2016 RMB (unaudited)
PRC Enterprise Income Tax ("EIT")	1,192,297	803,911

No Hong Kong Profits Tax was provided in the unaudited condensed consolidated financial statements as the Group has no estimated assessable profit derived from or arising in Hong Kong during the three months ended 31 March 2017 and 2016.

Provision for the EIT in the PRC is calculated based on a statutory tax rate of 25% of the estimated assessable profit as determined in accordance with the relevant income tax law in the PRC.

On 29 September 2013, Shenzhen Fire Element Network Technology Co., Ltd ("Shenzhen Fire Element") was qualified as an enterprise of Software and Integrated Circuit Industries (軟體產業和積體電路產業) in the PRC and is exempted from EIT for two years starting from the first profit making year, followed by a 50% reduction for the next three years on 5 August 2014. Shenzhen Fire Element started generating taxable profit during the year ended 31 December 2013 and therefore is exempted from EIT for the year ended 31 December 2013 and 2014. For the three months ended 31 March 2017 and 2016, Shenzhen Fire Element enjoyed a reduced EIT rate of 12.5% as a 50% reduction on the statutory tax rate. The certification of software enterprise has been cancelled by the State Council of the PRC on 24 February 2015, but the aforementioned EIT preferential treatment related to certified software enterprise is still valid for now.

The Group has no material unrecognised deferred tax as at 31 March 2016 and 31 March 2017.

6. DIVIDEND

No dividend was paid or declared by the Company during the three months ended 31 March 2016 and 31 March 2017, nor has any dividend been proposed since the end of the reporting period.

7. EARNINGS/(LOSS) PER SHARE

For the three months ended 31 March 2017, the earnings per share of the Company was RMB5.37 cents. The calculation is based on the earnings for the period of approximately RMB8.6 million and on the basis of the number of 160,000,000 ordinary shares of the Company in issue.

For the three months ended 31 March 2016, the earnings per share of the Company was RMB1.33 cents. The calculation is based on the earnings for the period of approximately RMB2.1 million and on the basis of the number of 160,000,000 ordinary shares of the Company in issue.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the three months ended 31 March 2016 and 31 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, in order to better capture the development opportunity from the fast growing global mobile markets, we grasped our advantage in research and development and our strong accumulation of technological knowledge and commercially launched two mobile games, being the mobile versions of Number Drop and G-game, which further expanded our game portfolio and diversified our revenue sources.

During the period ended 31 March 2017, we have licensed eight self-developed games in aggregate, including the mobile and browser versions of Kings & Legends (王者召喚) series, the mobile and browser versions of Hero's Crown (英雄皇冠) series, the browser version of Heroines of Three Kingdoms (姬戰三國) series, the mobile version of Endless Battles (無盡爭霸) series, the mobile version of Legend of Fairies (萌仙記) series, the mobile version of Road of Vengeance (復仇之路) series, the mobile version of Number Drop series and the mobile version of G-game series to various game operators for the operation, publication and distribution of such games within an agreed period and within designated territories.

Kings & Legends (王者召喚) game series continued to deliver satisfactory performance during the Reporting Period and maintained an important position in our game portfolio. During the Reporting Period, the percentage of revenue contribution to our total revenue from the Kings & Legends (王者召喚) series of games was approximately 16.3%. It has been over five years since its commercial launch in March 2012. Its ability to achieve a longer lifespan than the industry averages was attributable to our ongoing efforts in carrying out upgrades and enhancements to the content of the game with the view to retaining player interest, increasing player engagement to the game and enhancing the players' gaming experience. It also generates stable revenue for us.

The browser version and the mobile version of our Hero's Crown (英雄皇冠) series was commercially launched in January 2015 and February 2016, respectively. Its monthly royalties, MPU and ARPPU have been increasing. Our revenue from the game series amounted to approximately RMB7.2 million for the three months ended 31 March 2017.

The browser version of our Heroines of Three Kingdoms (姬戰三國) series was commercially launched in January 2015. Our revenue from the game series amounted to approximately RMB0.1 million for the three months ended 31 March 2017.

The mobile version of our Endless Battles (無盡爭霸) series was commercially launched in February 2016. Our revenue from the game series amounted to approximately RMB1.3 million for the three months ended 31 March 2017.

The mobile version of our Legend of Fairies (萌仙記) series was commercially launched in March 2016. Our revenue from the game series amounted to approximately RMB1.9 million for the three months ended 31 March 2017.

The mobile version of our Road of Vengeance (復仇之路) series was commercially launched in August 2016. Our revenue from the game series amounted to approximately RMB1.5 million for the three months ended 31 March 2017.

The mobile version of our Number Drop series was commercially launched in late March 2017. Our revenue from the game series amounted to approximately RMB0.01 million for the three months ended 31 March 2017.

The mobile version of our G-game series was commercially launched in late March 2017. Our revenue from the game series amounted to approximately RMB0.01 million for the three months ended 31 March 2017.

Prospects

The Group will further optimise the quality of self-developed game products with its excellent research and development core capability as the base, the stable research and development team as the support and a longer research and development cycle as to ensure and elevate the quality of its self-developed products. The Group will persist in the simultaneous development model of various games which can assure the Group's competitiveness in research and development, and to maintain a multiple product portfolio. For our existing games, the Group will carry out ongoing update and optimisation of our games so as to enhance the bonding between game users and those games and generate stable revenue for us, we will at the same time raise the revenue generated from third-party internet platforms by mobile games launched during the Reporting Period in order to further enhance the growth potential of mobile games. Our research and development team will continue to introduce new modes of play for the games, release games in more language versions so as to cater for different players and license the games to operators for operation. In the short-to-mid term, the games should see continuing revenue growth from newly-acquired users.

The Group will maintain our ongoing, timely and effective research as well as our capability in game upgrades, taking full advantage of our ascendancy in three aspects of our research and development capability, namely game planning, programming and graphic production. We will enhance our cooperation with licensed operators through discussion on the operation mode, precise management and way of promotion of our new games in order to give full play to our strengths in games research and development as well as to enhance the Group's profile in games research and development. Meanwhile, the Group has made active attempts into the development of innovative game types with further exploration, innovation and development. The Group will continue to enhance the investment in research and development and to attract and satisfy players with high-quality and diversified games. Given the success we obtained from our game products in the previous years and our continuous great efforts put into research and development, our Group will launch more outstanding new products.

Profit for the period

Given the aforesaid reasons, profit attributable to owner of the Company increased by approximately 309.5% from approximately RMB2.1 million for the three months ended 31 March 2016 to approximately RMB8.6 million for the three months ended 31 March 2017.

Interim dividends

The Board does not recommend the payment of any dividend for the three months ended 31 March 2017.

CORPORATE GOVERNANCE

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

The Company has adopted the principles and the Code provisions set out in the Code contained in Appendix 15 of the GEM Listing Rules.

The Directors consider the Company has complied with all the Code provisions throughout the Reporting Period.

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

The Shares were listed on the GEM of the Stock Exchange on 18 February 2016. Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2017.

PUBLICATION OF QUARTERLY RESULTS AND DESPATCH OF QUARTERLY REPORT

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk and the GEM website at www.hkgem.com, in the case of this announcement, on the "Latest Company Announcements" page for at least seven days from the day of its posting. This announcement will also be published on the Company's website at www.firerock.hk. The quarterly report of the Company for the three months ended 31 March 2017 containing all the information required by the GEM Listing Rules will be despatched to the shareholders and published on the above websites in due course.

By order of the Board
Fire Rock Holdings Limited
Huang Yong
Executive Director and CEO

Hong Kong, Friday, 12 May 2017

As at the date of this announcement, the Chairman and non-executive Director is Mr. Zhang Yan; the executive Directors are Mr. Huang Yong, Mr. Wu Zhe and Mr. Rao Zhenwu; and the independent non-executive Directors are Mr. Chan King Fai, Mr. Zhang Xiongfeng and Mr. He Yunpeng.