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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 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 of the Stock Exchange 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 six months ended 30 June 2017, the Group's revenue increased approximately 100.6% from approximately RMB17.0 million for the six months ended 30 June 2016 to approximately RMB34.1 million.
- For the six months ended 30 June 2017, the Group's gross profit increased approximately 117.0% from approximately RMB13.5 million for the six months ended 30 June 2016 to approximately RMB29.3 million.
- For the six months ended 30 June 2017, the Group's profit increased approximately 328.0% from approximately RMB5.0 million for the six months ended 30 June 2016 to approximately RMB21.4 million.
- The Board declares the payment of interim dividend of HK\$0.15 per share for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

INTERIM RESULTS (UNAUDITED)

The board of Directors (the “**Board**”) of the Company hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2017 (the “**Reporting Period**”) together with the comparative figures for the six months ended 30 June 2016 (the “**Corresponding Period in 2016**”). Such results have been reviewed by the audit committee of the Company.

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

FOR THE SIX MONTHS ENDED 30 JUNE

	<i>Notes</i>	2017 RMB (unaudited)	2016 RMB (unaudited)
Revenue	4	34,105,396	17,042,541
Direct costs		(4,837,123)	(3,506,462)
Gross profit		29,268,273	13,536,079
Other income	4	262,575	98,132
Game research costs		(266,662)	(159,438)
Distribution costs		(323,562)	(297,566)
Administrative expenses		(4,538,263)	(6,778,320)
Profit before income tax		24,402,361	6,398,887
Income tax expenses	5	(3,048,068)	(1,399,125)
Profit for the period		21,354,293	4,999,762
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translating foreign operations		(724,706)	333,539
Other comprehensive income for the period		(724,706)	333,539
Total comprehensive income for the period		20,629,587	5,333,301
Profit for the period attributable to:			
Owners of the Company		21,354,293	4,999,762
Total comprehensive income attributable to:			
Owners of the Company		20,629,587	5,333,301
		RMB cents	RMB cents
Earnings per share			
Basic and diluted	7	13.35	3.12

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2017 (unaudited) <i>RMB</i>	As at 31 December 2016 (audited) <i>RMB</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		1,765,749	1,556,993
Intangible assets	8	8,298,863	7,622,667
		10,064,612	9,179,600
Current assets			
Trade receivables	9	20,300,761	13,217,121
Prepayments, deposits and other receivables		981,600	687,993
Short-term bank deposits		—	10,000,000
Cash and cash equivalents		91,903,281	70,105,578
		113,185,642	94,010,692
Current liabilities			
Trade and other payables	10	1,951,716	1,901,447
Deferred revenue	11	1,669,979	3,313,956
Tax payables		2,201,844	1,430,067
		5,823,539	6,645,470
Net current assets		107,362,103	87,365,222
Total assets less current liabilities		117,426,715	96,544,822
Non-current liability			
Deferred revenue	11	588,477	336,171
Net assets		116,838,238	96,208,651
Equity			
Issued share capital		1,347,236	1,347,236
Reserves		115,491,002	94,861,415
Total equity		116,838,238	96,208,651

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 People’s Republic of China (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, the 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 financial position as at 30 June 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2017, as well as a summary of significant accounting policies and other explanatory information (collectively, the “**Interim Condensed Financial Statements**”) are unaudited, but have been reviewed by the audit committee of the Company and approved for issue by the board of directors on 14 August 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 Interim Condensed Financial Statements for the six months ended 30 June 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 Interim 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 interim condensed financial statements has been prepared on the historical cost basis. The Interim Condensed Financial Statements are presented in Renminbi (“**RMB**”) except when otherwise indicated.

3. SEGMENT INFORMATION

(a) Reportable Segments

During the Reporting Period, information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance, is the financial information of the Group as a whole as reported under HKFRSs. Such information does not contain profit or loss information of particular product or service line or geographical area. Therefore, the executive directors of the Company have determined that the Group has only one single reportable segment which is browser and mobile games development for earning license fees and royalties from licensed operators. The executive directors of the Company allocate resources and assess performance on an aggregated basis.

(b) Geographic Information

The Company is an investment holding company incorporated in the Cayman Islands and the principal place of the Group's operation is the PRC. Accordingly, the management determines that the Group is domiciled in the PRC.

The Group's revenue from licensed operators and information about its non-current assets by geographical location are detailed below:

	Revenue from licensed operators	
	For the six months ended 30 June	
	2017	2016
	RMB	RMB
	(unaudited)	(unaudited)
The PRC (place of domicile)	32,607,003	12,789,895
North America	143,722	1,514,722
Japan	840,039	1,379,500
Taiwan	141,742	454,587
Germany	372,890	903,837
	<u>34,105,396</u>	<u>17,042,541</u>

(c) Information About Major Licensed Operators

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

	For the six months ended 30 June	
	2017	2016
	RMB	RMB
	(unaudited)	(unaudited)
Licensed operator A	15,896,113	6,380,459
Licensed operator B	N/A*	2,591,518
Licensed operator C	N/A*	1,857,758
Licensed operator D	5,143,187	N/A*
	<u>21,039,300</u>	<u>10,829,735</u>

* The corresponding revenue did not contribute over 10% of the Group's revenue in the respective period.

4. REVENUE AND OTHER INCOME

**For the six months
ended 30 June**
2017 2016
RMB **RMB**
(unaudited) **(unaudited)**

Revenue

License fees and royalties

34,105,396 **17,042,541**

Other income

Interest income

262,575 **98,132**

5. INCOME TAX EXPENSE

**For the six months
ended 30 June**
2017 2016
RMB **RMB**
(unaudited) **(unaudited)**

PRC Enterprise Income Tax (“EIT”)

3,048,068 **1,399,125**

No Hong Kong Profits Tax was provided as the Group has no estimated assessable profit derived from or arising in Hong Kong during the six months ended 30 June 2017 and 2016.

Provision for the EIT in the PRC is calculated at the statutory tax rate of 25% of the estimated assessable profits in accordance with the relevant income tax law of 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 year of generating assessable profits, 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 years ended 31 December 2013 and 2014. For the years ended 31 December 2015 and 2016 and for six months ended 30 June 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 Company has no material unrecognised deferred tax as at 30 June 2017 and 30 June 2016.

6. DIVIDEND

The Board declares the interim dividend of HK\$0.15 per share (2016: Nil) which will be payable on or before 26 September 2017 to shareholders whose names appear in the register of members of the Company as at 5 September 2017. The dividend of HK\$0.15 per share is payable on the existing 160,000,000 shares in issue.

Closure of Register of Members

The register of members of the Company will be closed Monday, 4 September 2017 to Tuesday, 5 September 2017 (both days inclusive) for the purpose of determining the entitlement to the interim dividend. To qualify for the interim dividend, all share transfer documents should be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 1 September 2017.

7. EARNINGS PER SHARE

For the six months ended 30 June 2017, the earnings per share of the Group was RMB13.35 cents. The calculation is based on the profit attributable to owners of the Company for the period of approximately RMB21.4 million and on the basis of 160,000,000 ordinary shares of the Company in issue.

For the six months ended 30 June 2016, the earnings per share of the Group was RMB3.12 cents. The calculation is based on the profit attributable to owners of the Company for the period of approximately RMB5.0 million and on the basis of 160,000,000 ordinary shares of the Company in issue immediately after the Capitalisation Issue and pursuant to the Placing on 18 February 2016.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the six months ended 30 June 2017 and 30 June 2016.

8. INTANGIBLE ASSETS

For the six months ended 30 June 2017, additional development cost of the Group was approximately RMB3.4 million (for the six months ended 30 June 2016: RMB2.5 million).

9. TRADE RECEIVABLES

The Group allows credit period within 120 days to its licensed operators. The aging analysis of trade receivables at the end of the Reporting Period, based on invoice date is as follows:

	As at 30 June 2017 RMB (unaudited)	As at 31 December 2016 RMB (audited)
0–30 days	6,991,726	5,162,885
31–60 days	7,551,602	4,689,544
61–90 days	4,779,493	2,607,341
91–120 days	499,746	145,776
More than 120 days	478,194	611,575
	<u>20,300,761</u>	<u>13,217,121</u>

The following table sets forth the aging analysis of trade receivables which are past due but not impaired:

	As at 30 June 2017 RMB (unaudited)	As at 31 December 2016 RMB (audited)
Neither past due nor impaired	19,822,567	12,605,546
Past due for less than 30 days	398,086	153,689
Past due for more than 30 days but less than 60 days	3,358	33,949
Past due for more than 60 days but less than 120 days	18,440	6,129
Past due for more than 120 days but less than 1 year	—	417,808
Past due for more than 1 year	58,310	—
	<u>20,300,761</u>	<u>13,217,121</u>

Receivables that were neither past due nor impaired related to licensed operators for whom there was no recent history of default. Receivables that were past due but not impaired related to other licensed operators with long business relationship. The management considered that no impairment allowance was provided as there has not been a significant change in credit quality based on historical experience.

The Group does not hold any collateral over these balances.

10. TRADE AND OTHER PAYABLES

	As at 30 June 2017 RMB (unaudited)	As at 31 December 2016 RMB (audited)
Trade payables	129,484	99,000
Accruals	1,588,602	1,295,044
Other payables	233,630	507,403
	<u>1,951,716</u>	<u>1,901,447</u>

An aging analysis of the Group's trade payables at the end of the Reporting Period, based on invoice date, is as follows:

	As at 30 June 2017 RMB (unaudited)	As at 31 December 2016 RMB (audited)
Less than 30 days	1,208	—
Less than 1 year	92,276	—
More than 1 year	36,000	99,000
	<u>129,484</u>	<u>99,000</u>

11. DEFERRED REVENUE

	As at 30 June 2017 RMB (unaudited)	As at 31 December 2016 RMB (audited)
Deferred license fees		
— Current	1,669,979	3,313,956
— Non-current	588,477	336,171
	<u>2,258,456</u>	<u>3,650,127</u>

Deferred license fees are received from licensed operators for obtaining the exclusive rights granted to them to operate the Group's self-developed games. The license fees are recognised on a straight-line basis over the exclusive period.

As at 30 June 2017 and 31 December 2016, deferred revenue included in non-current liability was expected to be recognised as license fees and royalties within two years commencing from the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Notwithstanding the competition and challenges of the game market in general during the six months ended 30 June 2017, the Group nonetheless achieved satisfactory financial results. Our revenue increased by 100.6% from approximately RMB17.0 million for the six months ended 30 June 2016 to approximately RMB34.1 million for the six months ended 30 June 2017. The revenue of browser games and mobile games reached approximately RMB8.6 million and approximately RMB25.5 million respectively, representing a decrease of 41.1% and an increase of 962.5% respectively as compared to approximately RMB14.6 million and approximately RMB2.4 million for the same period in 2016. The revenue of mobile games amounted to 74.8% of the Company's revenue. Profit attributable to owners of the Company increased by 328.0% from approximately RMB5.0 million for the six months ended 30 June 2016 to approximately RMB21.4 million for the six months ended 30 June 2017.

The increase in revenue of our games can be attributable to the continued upgrade of our games that continued to attract users, the closer cooperation with licensed operators and the continued commercial launch of new game products. During the Reporting Period, the Group commercially launched three mobile games, being the mobile versions of Number Drop, G-game and Sweeties Fighting (零食大亂鬥), which better captured the fast growing opportunity from the mobile markets and further expanded our game portfolio and diversified our revenue sources.

As of 30 June 2017, we have licensed nine 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, the mobile version of G-game series and the mobile version of Sweeties Fighting (零食大亂鬥) 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 13.1%. 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 were commercially launched in January 2015 and February 2016, respectively. Our revenue from the game series amounted to approximately RMB12.2 million for the six months ended 30 June 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 RMB0.2 million for the six months ended 30 June 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 RMB2.5 million for the six months ended 30 June 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 RMB3.6 million for the six months ended 30 June 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 RMB2.7 million for the six months ended 30 June 2017.

The mobile version of our Number Drop series was commercially launched in March 2017. Our revenue from the game series amounted to approximately RMB1.7 million for the six months ended 30 June 2017.

The mobile version of our G-game series was commercially launched in March 2017. Our revenue from the game series amounted to approximately RMB1.7 million for the six months ended 30 June 2017.

The mobile version of our Sweeties Fighting (零食大亂鬥) series was commercially launched in May 2017. Our revenue from the game series amounted to approximately RMB5.1 million for the six months ended 30 June 2017.

As of 30 June 2017, we also had four game series under research and development, including the War of the Sulfulons (薩弗隆戰記) series, the Super Tycoon (超級大亨) series, the Forest Gala (森林大聯歡) series and the Super Cute Monster (超級逗萌獸) series. It is intended that these four games will be developed into different genres and in different languages to be launched internationally. Subject to their development progress and market response, it is estimated that these four new games will be launched in the third quarter of 2017.

Prospects

The Group will further optimize the quality of self-developed game products based on the satisfactory results obtained during the first half of 2017. We will devote much effort to our core products and maintain our strategies of using 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. Based on that, we will be launching innovative products and game features with an accelerated pace as to maintain a multiple product portfolio. We believe the second half of 2017 will be a fruitful period for us.

The Group will carry out ongoing update and optimization of our existing games so as to generate stable revenue for us. Meanwhile, we will actively explore the potential brought from mobile games launched during the Reporting Period at third-party internet platforms as to raise the revenue generated from such games 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 its games in more languages so as to cater for different players and license the games to operators for operation, the games should see continuing revenue growth from newly-acquired users.

Profit for the period

Profit attributable to owners of the Company increased by approximately 328% from approximately RMB5.0 million for the six months ended 30 June 2016 to approximately RMB21.4 million for the six months ended 30 June 2017.

Earnings per Share

For the six months ended 30 June 2017, the earnings per share of the Group was RMB13.35 cents. The calculation is based on the profit attributable to owners of the Company for the period of approximately RMB21.4 million and on the basis of 160,000,000 ordinary shares of the Company in issue.

For the six months ended 30 June 2016, the earnings per share of the Group was RMB3.12 cents. The calculation is based on the profit attributable to owners of the Company for the period of approximately RMB5.0 million and on the basis 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 six months ended 30 June 2017 and 30 June 2016.

Interim dividends

The Board declares the payment of interim dividend of HK\$0.15 per share for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

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

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

CORPORATE GOVERNANCE PRACTICE

The Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of our shareholders and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has applied the principles and code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 15 to the GEM Listing Rules. The Directors consider that the Company has complied with the code provisions as set out in the Code for the Reporting Period.

INTEREST OF COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, China Everbright Capital Limited (the "Compliance Adviser"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 26 January 2016, neither the Compliance Adviser nor its directors, employees or associates (as defined in the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM 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 interim report of the

Company for the six months ended 30 June 2017 containing all the information required by the GEM Listing Rules will be dispatched 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, Monday, 14 August 2017

As at the date of this announcement, the executive Directors are Mr. Huang Yong, Mr. Wu Zhe and Mr. Rao Zhenwu; the non-executive directors are Mr. Zhang Yan, Mr. Zhang Xiongfeng and Ms. Yang Kan and the independent non-executive Directors are Mr. Chan King Fai, Mr. He Yunpeng and Mr. Chen Di.