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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 2018

CHARACTERISTICS OF 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 2018, the Group's revenue increased from approximately RMB14.4 million for the three months ended 31 March 2017 to approximately RMB32.9 million.
- For the three months ended 31 March 2018, the Group's gross profit increased from approximately RMB12.2 million for the three months ended 31 March 2017 to approximately RMB28.0 million.
- For the three months ended 31 March 2018, the Group's profit increased from approximately RMB8.6 million for the three months ended 31 March 2017 to approximately RMB18.2 million.
- The Board does not recommend the payment of any interim dividends for the three months ended 31 March 2018.

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 2018 (the “**Reporting Period**”) together with the comparative figures for the three months ended 31 March 2017. The results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

**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>	2018	2017
		RMB	RMB
		(unaudited)	(unaudited)
Revenue	3	32,850,686	14,379,148
Direct costs		<u>(4,891,827)</u>	<u>(2,146,664)</u>
Gross profit		27,958,859	12,232,484
Other income	3	353,596	27,482
Game research costs		(300,085)	(215,602)
Distribution costs		(205,423)	(156,152)
Administrative expenses		<u>(4,020,547)</u>	<u>(2,111,673)</u>
Operating profit		23,786,400	9,776,539
Share of loss of an investment using equity accounting		<u>(28,905)</u>	—
Profit before income tax	4	23,757,495	9,776,539
Income tax expense	5	<u>(5,561,391)</u>	<u>(1,192,297)</u>
Profit for the period		18,196,104	8,584,242
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
— <i>Exchange differences on translating foreign operations</i>		<u>(1,836,463)</u>	<u>(191,020)</u>
Other comprehensive income for the period		<u>(1,836,463)</u>	<u>(191,020)</u>
Total comprehensive income for the period		<u>16,359,641</u>	<u>8,393,222</u>
Profit for the period attributable to:			
Owners of the Company		18,199,571	8,584,242
Non-controlling interests		<u>(3,467)</u>	—
		<u>18,196,104</u>	<u>8,584,242</u>
Total comprehensive income attributable to:			
Owners of the Company		16,363,112	8,393,222
Non-controlling interests		<u>(3,471)</u>	—
		<u>16,359,641</u>	<u>8,393,222</u>
Earnings per share		RMB cents	RMB cents
Basic and diluted	7	<u>11.37</u>	<u>5.37</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to owners of the Company								Non-controlling interests	Total Equity
	Share capital	Share premium	Capital reserve	Merger reserve	Statutory reserve	Foreign exchange reserve	Retained profits	Total		
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Three months ended										
31 March 2017 (unaudited)										
At 1 January 2017 (audited)	1,347,236	35,021,914	11,201,260	10,000,000	7,198,564	2,664,590	28,775,087	96,208,651	—	96,208,651
Profit/(loss) for the period	—	—	—	—	—	—	8,584,242	8,584,242	—	8,584,242
Other comprehensive income for the period:										
— Exchange differences on translation of foreign operations	—	—	—	—	—	(191,020)	—	(191,020)	—	(191,020)
Total comprehensive income for the period	—	—	—	—	—	(191,020)	8,584,242	8,393,222	—	8,393,222
At 31 March 2017 (unaudited)	<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>2,473,570</u>	<u>37,359,329</u>	<u>104,601,873</u>	<u>—</u>	<u>104,601,873</u>
Three months ended										
31 March 2018 (unaudited)										
At 1 January 2018 (audited)	1,347,236	35,021,914	11,201,260	10,000,000	12,179,207	126,870	46,584,801	116,461,288	—	116,461,288
Non-controlling interests arising on establishment of a non wholly-owned subsidiary	—	—	—	—	—	—	—	—	20,090	20,090
Profit/(Loss) for the period	—	—	—	—	—	—	18,199,571	18,199,571	(3,467)	18,196,104
Other comprehensive income for the period:										
— Exchange differences on translation of foreign operations	—	—	—	—	—	(1,836,459)	—	(1,836,459)	(4)	(1,836,463)
Total comprehensive income for the period	—	—	—	—	—	(1,836,459)	18,199,571	16,363,112	16,619	16,379,731
At 31 March 2018 (unaudited)	<u>1,347,236</u>	<u>35,021,914</u>	<u>11,201,260</u>	<u>10,000,000</u>	<u>12,179,207</u>	<u>(1,709,589)</u>	<u>64,784,372</u>	<u>132,824,400</u>	<u>16,619</u>	<u>132,841,019</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 People’s Republic of China (“**PRC**”) is located at 4/F, Dongjiang Environmental Building, No.9 Langshan Road, North Zone, Hi-Tech Industries Park, Nanshan District, Shenzhen, Guangdong Province, PRC. The Company was listed on 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 2018, 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 11 May 2018.

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 2018, the accounting policies applied in preparing this unaudited first quarterly condensed financial statements for the three months ended 31 March 2018 are consistent with those of the annual financial statements for the year ended 31 December 2017 issued by the Company on 29 March 2018, 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 2017.

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 have been prepared under the historical cost basis. They are presented in Renminbi (“**RMB**”) except when otherwise indicated.

3. REVENUE AND OTHER INCOME

	For the three months ended 31 March	
	2018	2017
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
Revenue		
License fees and Royalties	<u>32,850,686</u>	<u>14,379,148</u>
Other income		
Interest income	322,486	27,482
Others	<u>31,110</u>	<u>—</u>
	<u>353,596</u>	<u>27,482</u>

4. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after deducting the following items:

	For the three months ended 31 March	
	2018	2017
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
Depreciation of plant and equipment*	262,777	169,930
Amortisation of intangible assets**	1,716,365	1,317,518
Operating lease rentals in respect of land and buildings	543,451	427,404
Operating lease rentals in respect of servers	<u>78,460</u>	<u>73,681</u>

* 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	
	2018	2017
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
PRC Enterprise Income Tax (“EIT”)	3,861,391	1,192,297
Deferred tax	1,700,000	—
	<u>5,561,391</u>	<u>1,192,297</u>

No Hong Kong Profits Tax was provided as the Group has no estimated assessable profit derived from or arising in Hong Kong during the three months ended 31 March 2018 and 2017.

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.

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 was 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 was exempted from EIT for the years ended 31 December 2013 and 2014. For the years ended 31 December 2015 and 2016 and the three months ended 31 March 2016 and 2017, 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.

Shenzhen Fire Element was qualified as a “Hi-Tech Enterprise” (“**Hi-Tech Enterprise**”). Pursuant to the PRC EIT Law, it is subject to a preferential rate of 15%. Therefore, the effective income tax rate of Shenzhen Fire Element for the three months ended 31 March 2018 was 15%.

Pursuant to the PRC EIT Law, a 10% withholding tax (unless reduced by tax treaties or 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 accumulated after 31 December 2007.

6. DIVIDENDS

On 26 March 2018, a final dividend, in the form of a cash dividend of HK\$0.125 per share (equivalent to approximately RMB0.104 per share) and bonus shares on the basis of 1 share for every share, in respect of the year ended 31 December 2017 has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

Other than as set out above, no dividends were paid or declared by the Company during the three months ended 31 March 2017 and 2018, nor has any other dividends been proposed since the end of the Reporting Period.

7. EARNINGS PER SHARE

For the three months ended 31 March 2018, the earnings per share of the Group was RMB11.37 cents. The calculation is based on the earnings attributable to owners of the Company for the period of approximately RMB18.2 million and on the basis of the number of 160,000,000 ordinary shares outstanding during the period.

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

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 2018 and 31 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a game developer focusing on the development of browser and mobile games. For the first quarter of 2018, our Group maintained steady growth in results. This was not only attributable to the game development ideas and principles which we adhered to, for our R&D team refined each and every self-developed game product to ensure that every product commercially launched can be exquisite and of high quality and provide players with the best gaming experience, but also attributable to our sensitivity and quick response to the market conditions. The Group closely kept track of the latest trends of the gaming industry and formulated clear and effective development strategies so as to capitalise on our advantages and capture the business opportunities in the generation. We invested important resources to the research and development of mobile games, thus achieving breakthroughs and gaining a greater market share amid the growing competition in the mobile game market.

In terms of financial performance, during the three months ended 31 March 2018, our revenue increased by RMB18.5 million from approximately RMB14.4 million for the three months ended 31 March 2017 to approximately RMB32.9 million. The revenue of browser games and mobile games reached approximately RMB1.1 million and approximately RMB31.8 million respectively, representing a decrease of 81.7% and an increase of 278.6% respectively as compared to approximately RMB6.0 million and approximately RMB8.4 million for the same period in 2017. Revenue of mobile games amounted to 96.8% of the Group's revenue. Profit attributable to owners of the Company increased by 111.6% from approximately RMB8.6 million for the three months ended 31 March 2017 to approximately RMB18.2 million for the three months ended 31 March 2018.

In terms of game products, during the Reporting Period, the Group commercially launched one mobile game, being the mobile version of Super Rich (超級大富翁), which further expanded our game portfolio.

As of 31 March 2018, we have licensed fifteen 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, the mobile version of Sweeties Fighting (零食大亂鬥) series, the mobile version of War of the Sulfulons (薩弗隆戰記) series, the mobile version of Super Tycoon (超級大亨) series, the mobile version of Forest Gala (森林大聯歡) series, the mobile version of Fish Catching Contest (捕魚大亂鬥) series, the mobile version of Super Cute Monster (超級逗萌獸) series and the mobile version of Super Rich (超級大富翁) series to various game operators for the operation, publication and distribution of such games within an agreed period and within designated territories.

For the three months ended 31 March 2018, the revenue and the proportion of their revenue to our total revenue for five of our major games are listed as follows: the mobile version of our Sweeties Fighting (零食大亂鬥) series was commercially launched in May 2017 and our revenue from the game series amounted to approximately RMB15.5 million for the three months ended 31 March 2018, amounted to 47.2% of our total revenue; the mobile version of our Fish Catching Contest (捕魚大亂鬥) series was commercially launched in December 2017 and our revenue from the game series amounted to approximately RMB10.8 million for the three months ended 31 March 2018, amounted to 32.9% of our total revenue; the browser version and mobile version of our Hero's Crown (英雄皇冠) series was commercially launched in January 2015 and February 2016, respectively, and our revenue from the game series amounted to approximately RMB1.3 million for the three months ended 31 March 2018, amounted to 4.0% of our total revenue; our Kings & Legends (王者召喚) game series was commercially launched in March 2012 and our revenue from the game series amounted to approximately RMB0.9 million for the three months ended 31 March 2018, amounted to 2.6% of our total revenue; the mobile version of our Number Drop series was commercially launched in March 2017 and our revenue from the game series amounted to approximately RMB0.8 million for the three months ended 31 March 2018, amounted to 2.5% of our total revenue.

Prospects

We will further optimise the quality of self-developed game products, keep on investing more resources to our core products, and maintain our R&D strength and innovative ideas, with an aim of strengthening and enhancing our game products. With the above efforts, we seek to reinforce players' stickiness by developing exquisite games with quality and vitality and providing our game players with the best gaming experience, hence bringing stable revenue for us. In future, we will enhance our cooperation with licensed operators through the introduction of new modes of play, the launch of different language versions for different players, the license of games to operators and discussion with operators on the operation mode, precise management and way of promotion of our innovative 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 by introducing innovative technology during the process with further exploration, innovation and development. Leveraging on our strength in games research and development, we will launch more high quality and innovative products as to diversify our gaming portfolio, attract the players and cater the needs of them.

Moreover, we will actively expand overseas markets and promote our games to new potential areas and regions. By further strengthening our international competitiveness, we strive to evolve and grow in such highly competitive environment.

Profit for the period

Given the aforesaid reasons, profit attributable to owners of the Company increased by approximately 111.6% from approximately RMB8.6 million for the three months ended 31 March 2017 to approximately RMB18.2 million for the three months ended 31 March 2018.

Dividends

On 26 March 2018, a final dividend, in the form of a cash dividend of HK\$0.125 per share (equivalent to approximately RMB0.104 per share) and bonus shares on the basis of 1 share for every share, in respect of the year ended 31 December 2017 has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

Other than as set out above, no dividends were paid or declared by the Company during the three months ended 31 March 2017 and 2018, nor has any other dividends been proposed since the end of the Reporting Period.

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 considered that 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 2018.

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 2018 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, 11 May 2018

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.