



火岩控股
FIRE ROCK HOLDINGS

FIRE ROCK HOLDINGS LIMITED 火岩控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8345



2018

FIRST QUARTERLY REPORT

CHARACTERISTICS OF THE 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, 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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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 report 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 report misleading.*



CONTENTS

Definition	3
Company Profile	7
Financial Highlights (Unaudited)	9
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)	10
Condensed Consolidated Statement of Changes in Equity (Unaudited)	11
Notes to the Unaudited Condensed Consolidated Financial Statements	12
Management Discussion and Analysis	16
Corporate Governance and Other Information	27



DEFINITION

“ACT”	action game, which refers to action-themed games in which players control the avatar of a protagonist to navigate different levels of the game, and typically to, collect items, avoid obstacles and fight enemies, testing players’ hand-eye coordination and reaction time
“Android”	an operating system developed and maintained by Google Inc. designed primarily for touchscreen technology used in smartphones and tablets
“ARPG”	action role-playing game, also known as the real-time combat role-playing game, in which the player character instantly responds to the player’s operations and the game player has direct control over their characters
“ARPPU”	average revenue per paying user, calculated by dividing the average monthly royalties from the net sale of credits of licensed operators 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



“Code”	the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules
“commercial launch” or “commercialisation”	a game is considered commercially launched once our licensed operator(s) have (i) designated third party payment channels to collect payment for sales of in-game tokens, and (ii) concluded the open beta testing stage
“Company”	Fire Rock Holdings Limited (火岩控股有限公司), a company incorporated in the Cayman Islands with limited liability and all of its subsidiaries, the Shares of which are listed on the GEM (Stock code: 8345)
“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
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Group” or “we”	the Company and where the context otherwise requires, all of its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JPY”	Japanese Yen, the lawful currency of Japan



“Listing”	the listing of the Shares of the Company on GEM
“mobile games”	online games that are downloaded to and played on mobile devices including smartphones and tablets
“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
“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”	the People’s Republic of China excluding, for the purpose of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Remuneration Committee”	the remuneration committee under the Board
“Reporting Period”	the three months ended 31 March 2018
“RMB”	Renminbi, the lawful currency of the PRC
“RPG”	role-playing game, in which players adopt the roles of one or more in-game characters and are able to interact within the game’s virtual world in accordance with in-game rules and guidelines
“RUB”	Russian Ruble, the lawful currency of the Russian Federation



“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 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, an indirect wholly-owned subsidiary of the Company
“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
“%”	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 GEM Listing Rules, unless the context otherwise requires.



COMPANY PROFILE

EXECUTIVE DIRECTORS

Mr. HUANG Yong
(Chief Executive Officer)
Mr. RAO Zhenwu
Mr. WU Zhe

NON-EXECUTIVE DIRECTORS

Mr. ZHANG Yan *(Chairman)*
Mr. ZHANG Xiongfeng
Ms. YANG Kan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN King Fai
Mr. HE Yunpeng
Mr. CHEN Di

AUDIT COMMITTEE

Mr. CHAN King Fai *(Chairman)*
Mr. HE Yunpeng
Mr. CHEN Di

REMUNERATION COMMITTEE

Mr. CHEN Di *(Chairman)*
Mr. CHAN King Fai
Mr. HUANG Yong

NOMINATION COMMITTEE

Mr. ZHANG Yan *(Chairman)*
Mr. HE Yunpeng
Mr. CHEN Di

JOINT COMPANY SECRETARIES

Mr. WEI Dong and
Mr. CHAN Chin Wang Keith

AUTHORISED REPRESENTATIVES

Mr. HUANG Yong and
Mr. CHAN Chin Wang Keith

COMPLIANCE OFFICER

Mr. WU Zhe

REGISTERED OFFICE

Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

4th Floor
Dongjiang Environmental Building
No. 9 Langshan Road
North Zone, Hi-Tech Industries Park
Nanshan District
Shenzhen, Guangdong
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2201-2203, 22/F
World-Wide House
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands



HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Merchant Bank,
Shenzhen Branch
Bank of Communication,
Hong Kong Branch

HONG KONG LEGAL ADVISER

Li & Partners

AUDITOR

BDO Limited
Certified Public Accountants

GEM STOCK CODE

8345

COMPANY WEBSITE

www.firerock.hk

FINANCIAL HIGHLIGHTS (UNAUDITED)

	For the three months ended 31 March	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue	32,851	14,379
Gross Profit	27,959	12,232
Profit	18,196	8,584

- 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, represented an increase of approximately 128.5%.
- 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, represented an increase of approximately 129.5%.
- 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, represented an increase of approximately 111.6%.
- The Board does not recommend the payment of any interim dividends for the three months ended 31 March 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

		For the three months ended 31 March	
	Notes	2018 RMB (unaudited)	2017 RMB (unaudited)
Revenue	3	32,850,686	14,379,148
Direct costs		(4,891,827)	(2,146,664)
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		(4,020,547)	(2,111,673)
Operating profit		23,786,400	9,776,539
Share of loss of an investment using equity accounting		(28,905)	—
Profit before income tax	4	23,757,495	9,776,539
Income tax expense	5	(5,561,391)	(1,192,297)
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>			
— Exchange differences on translating foreign operations		(1,836,463)	(191,020)
Other comprehensive income for the period		(1,836,463)	(191,020)
Total comprehensive income for the period		16,359,641	8,393,222
Profit for the period attributable to:			
Owners of the Company		18,199,571	8,584,242
Non-controlling interests		(3,467)	—
		18,196,104	8,584,242
Total comprehensive income attributable to:			
Owners of the Company		16,363,112	8,393,222
Non-controlling interests		(3,471)	—
		16,359,641	8,393,222
Earnings per share		RMB cents	RMB cents
Basic and diluted	7	11.37	5.37

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	Merger reserve	Statutory reserve	Foreign exchange reserve	Retained profits	Total	Non-controlling interests	Total Equity
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
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)	1,347,236	35,021,914	11,201,260	10,000,000	7,198,564	2,473,570	37,359,329	104,601,873	—	104,601,873
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)	1,347,236	35,021,914	11,201,260	10,000,000	12,179,207	(1,709,589)	64,784,372	132,824,400	16,619	132,841,019



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2018

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 is located at 4/F, Dongjiang Environmental Building, No.9 Langshan Road, North Zone, Hi-Tech Industries Park, Nanshan District, Shenzhen, Guangdong Province, the People’s Republic of China (“**PRC**”).

The Company is an investment holding company. 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 of the Company and were approved and authorised 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 <i>RMB</i> (unaudited)	2017 <i>RMB</i> (unaudited)
Revenue		
License fees and Royalties	32,850,686	14,379,148
Other income		
Interest income	322,486	27,482
Others	31,110	—
	353,596	27,482

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 <i>RMB</i> (unaudited)	2017 <i>RMB</i> (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	78,460	73,681

* 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 RMB (unaudited)	2017 RMB (unaudited)
PRC Enterprise Income Tax ("EIT")	3,861,391	1,192,297
Deferred tax	1,700,000	—
	5,561,391	1,192,297

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.




The table below sets forth the fifteen main series of games which are under operation and commercially launched by our licensed operators as of 31 March 2018:

Language version	Game title	Platform	Initial commercial launch date
<i>Kings & Legends (王者召喚) series of games</i>			
English	Ancient Summoner/ Rise of Mythos (Name changed in June 2014)	Browser	May 2013
Japanese	Kings and Legends テイヴァイン・グリモワール/ Divine Grimoire	Browser	December 2012 September 2012
German	Kings and Legends	Browser	July 2013
French	Kings and Legends	Browser	December 2013
Traditional Chinese	卡卡們的大亂鬥	Browser	June 2012
Simplified Chinese	王者召喚	Browser	March 2012
<i>Hero's Crown (英雄皇冠) series of games</i>			
Simplified Chinese	英雄皇冠	Browser	March 2015
Traditional Chinese	卡卡們的大亂鬥II：英雄皇冠	Browser	June 2015
Simplified Chinese	魔戒外传	Mobile	April 2016
<i>Heroines of Three Kingdoms (姬戰三國) series of games</i>			
Simplified Chinese	姬战三国	Browser	January 2015
<i>Endless Battles (無盡爭霸) series of games</i>			
Simplified Chinese	无尽争霸	Mobile	February 2016
<i>Legend of Fairies (萌仙記) series of games</i>			
Simplified Chinese	萌仙记	Mobile	March 2016
<i>Road of Vengeance (复仇之路) series of games</i>			
Simplified Chinese	复仇之路	Mobile	August 2016
<i>Number Drop series of games</i>			
Simplified Chinese	Number Drop	Mobile	March 2017



Language version	Game title	Platform	Initial commercial launch date
<i>G-game series of games</i>			
Simplified Chinese	一起切水果	Mobile	March 2017
<i>Sweeties Fighting (零食大亂鬥) series of games</i>			
Simplified Chinese	零食大乱斗	Mobile	May 2017
<i>War of the Sulfulons (薩弗隆戰記) series of games</i>			
Simplified Chinese	萨弗隆战记	Mobile	July 2017
<i>Super Tycoon (超級大亨) series of games</i>			
Simplified Chinese	超级大亨	Mobile	July 2017
<i>Forest Gala (森林大聯歡) series of games</i>			
Simplified Chinese	森林大联欢	Mobile	July 2017
<i>Fish Catching Contest (捕魚大亂鬥) series of games</i>			
Simplified Chinese	捕鱼大乱斗	Mobile	December 2017
<i>Super Cute Monster (超級逗萌獸) series of games</i>			
Simplified Chinese	超级逗萌兽	Mobile	December 2017
<i>Super Rich (超級大富翁) series of games</i>			
Simplified Chinese	超级大富翁	Mobile	February 2018



As of 31 March 2018, we also had three game series under research and development, including the Age of Star Wars (星戰紀) series, the Royal Casino (皇家娛樂城) series and the Shaky Battle (晃晃大作戰) series. Subject to their development progress and market response, it is estimated that these three new games will be launched in the second or third quarter of 2018.

Game Title	Genre	Expected Launch Date	Start of Game Inception and Evaluation
Age of Star Wars (星戰紀) series (name of game to be confirmed)	2D flying and shooting	Second quarter 2018	First quarter 2018
Royal Casino (皇家娛樂城) series (name of game to be confirmed)	2D leisure	Second quarter 2018	First quarter 2018
Shaky Battle (晃晃大作戰) series (name of game to be confirmed)	2D-sports	Third quarter 2018	First quarter 2018

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 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.



FINANCIAL REVIEW

Revenue

We are engaged in the development of browser and mobile games, including game design, programming and graphics, and licensing of our self-developed browser and mobile games to licensed operators around the world.

During the three months ended 31 March 2018, our revenue was originated from our licensed operators and derived from the following revenue types: (i) license fees in accordance with the contractual terms agreed with our licensed operators for granting the exclusive operating right for specific games within an agreed period and designated territories; and (ii) royalties which were calculated based on a pre-determined percentage sharing of the net sales of credits of our licensed operators which have been exchanged into our in-game tokens purchased through platforms designated by our licensed operators in accordance with the terms of the licensing agreements.

Our revenue increased by approximately RMB18.5 million 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 increase in revenue was mainly due to the increase in revenue brought by the launch of our mobile games series successively in 2017, being Number Drop game series, G-game game series, Sweeties Fighting (零食大亂鬥) game series, Forest Gala (森林大聯歡) game series and Fish Catching Contest (捕魚大亂鬥) game series.

Revenue by game platforms and revenue types

The table below sets forth the breakdown of revenue by game platforms and revenue types for each of the three months ended 31 March 2018 and 2017:

	For the three months ended 31 March			
	2018		2017	
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
Browser version	1,053	3.2	5,960	41.4
License fees	—	—	1,250	8.7
Royalties	1,053	3.2	4,710	32.7
Mobile version	31,798	96.8	8,419	58.6
License fees	574	1.7	326	2.3
Royalties	31,224	95.1	8,093	56.3
	32,851	100.0	14,379	100.0

Revenue by game series

The table below sets forth the breakdown of revenue by game series for each of the three months ended 31 March 2018 and 2017:

	For the three months ended 31 March			
	2018		2017	
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
Kings & Legends (王者召喚)	866	2.6	2,350	16.3
Hero's Crown (英雄皇冠)	1,318	4.0	7,178	49.9
Heroines of the Three Kingdoms (姬戰三國)	34	0.1	97	0.7
Endless Battles (無盡爭霸)	327	1.0	1,301	9.1
Legend of Fairies (萌仙記)	436	1.3	1,940	13.5
Road of Vengeance (復仇之路)	674	2.1	1,501	10.4
Number Drop	835	2.5	5	—
G-game	798	2.4	7	0.1
Sweeties Fighting (零食大亂鬥)	15,490	47.2	—	—
War of the Sulfurons (薩弗隆戰記)	102	0.3	—	—
Super Tycoon (超級大亨)	66	0.2	—	—
Forest Gala (森林大聯歡)	597	1.8	—	—
Fish Catching Contest (捕魚大亂鬥)	10,800	32.9	—	—
Super Cute Monster (超級逗萌獸)	359	1.1	—	—
Super Rich (超級大富翁)	149	0.5	—	—
	32,851	100.0	14,379	100.0

Revenue by geographical markets

The following table sets forth the revenue from our games based on territories, as determined by type of settlement currency with licensed operators, in absolute amounts and as a percentage of our revenue for the periods indicated:

	2018		2017	
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
The PRC ¹	32,582	99.2	12,606	87.7
The PRC ^{2,4}	—	—	534	3.7
The PRC ^{3,4}	—	—	638	4.4
Asia Pacific (including Japan and Taiwan) ²	196	0.6	483	3.4
Europe ³	73	0.2	118	0.8
Total	32,851	100.0	14,379	100.0

Notes:

1. Settled in RMB
2. Settled in USD
3. Settled in EUR
4. Revenue derived from R2Game Co., Limited and Reality Squared Game Co., Limited, in which Reality Squared Game Co., Limited and R2Game Co., Limited are group companies based in the PRC. The license we gave to R2Game Co., Limited for the operation of our games had been transferred to Reality Squared Game Co., Limited in 2016. Both companies had commercially launched our games in Europe and North America.



Direct costs

Our direct costs for the three months ended 31 March 2018 amounted to approximately RMB4.9 million, representing an increase of approximately 133.3% as compared to approximately RMB2.1 million for the same period in 2017. The increase in our direct costs was mainly because we commercially launched new mobile games successively in 2017, which resulted in the increase in amortisation of our game research costs during the Reporting Period, the increase in salaries and welfare expenses and the increase in business taxes and surcharges resulted from the significant increase in revenue.

Gross profit and gross profit margin

Our gross profit for the three months ended 31 March 2018 amounted to approximately RMB28.0 million, representing an increase of approximately RMB15.8 million as compared to approximately RMB12.2 million for the three months ended 31 March 2017. Our gross profit margin for the three months ended 31 March 2018 and 2017 amounted to approximately 85.1%. The increase in our gross profit was mainly due to the increase in revenue brought by the commercial launch of various mobile game series successively in 2017.

Other income

Our other income mainly consisted of interest income of short term bank deposits and other gains. For the three months ended 31 March 2018, our other income was approximately RMB0.35 million, compared with approximately RMB0.03 million for the same period in 2017.

Game research costs

Our game research costs for the three months ended 31 March 2018 amounted to approximately RMB0.3 million, represented an increase of approximately RMB0.1 million as compared to approximately RMB0.2 million for the three months ended 31 March 2017. The increase was mainly due to the fact that three new games were in the game inception and evaluation stage during the Reporting Period.



Distribution costs

Our distribution costs for the three months ended 31 March 2018 amounted to approximately RMB0.21 million, represented an increase of about RMB0.05 million as compared to RMB0.16 million for the same period in 2017. The increase was mainly attributable to the increase in the salaries and welfare of promotional staff.

Administrative expenses

Our administrative expenses for the three months ended 31 March 2018 amounted to approximately RMB4.0 million, representing an increase of approximately 90.5% as compared to approximately RMB2.1 million for the three months ended 31 March 2017. The increase in our administrative expenses was mainly due to the increase in the salaries and welfare of our Group's administrative staff as well as the increase in rentals for our operating premises.

Income tax expense

Our income tax expenses for the three months ended 31 March 2018 amounted to approximately RMB5.6 million while we recorded RMB1.2 million for the three months ended 31 March 2017. The increase in our income tax expenses was mainly because the profits of the PRC subsidiary of the Group increased significantly during the Reporting Period as compared to the same period in 2017 as well as the increase in income tax expense withheld under the provisions of the PRC tax law with respect to the distribution of dividends to foreign investors by the PRC subsidiary of the Group.

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.



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.

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 AND OTHER INFORMATION

Corporate Governance Practices

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.

Directors' Securities Transactions


The Company has adopted the required standard of dealings regarding directors' securities transactions as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Among other things, the Company periodically issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results of the Group.

Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standards of dealings for the three months ended 31 March 2018.

Disclosure of Interest as Per Registers Kept Pursuant to the SFO

As of 31 March 2018, 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 SFO):

- (a) *Interests and Short Positions of Directors and the Chief Executive in the Shares, Underlying Shares or Debentures*
 - (1) 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

- 
- (2) which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or
- (3) which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, as follows:

Name	Capacity	Number of Shares¹	Percentage of shareholdings
Mr. Zhang Yan ²	Interest in controlled corporation	58,800,000	36.75%
Mr. Huang Yong ³	Interest in controlled corporation	19,200,000	12.00%
Mr. Zhang Xiongfeng	Beneficial owner	9,808,000	6.13%
Mr. Wu Zhe ⁴	Interest in controlled corporation	1,600,000	1.00%
Mr. Rao Zhenwu ⁵	Interest in controlled corporation	1,600,000	1.00%

1. All interests stated are long positions.
2. 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.
3. Mr. Huang Yong is interested in the entire issued share capital of Raglon International Limited and he is therefore deemed to be interested in the Shares held by Raglon International Limited by virtue of the SFO.
4. Mr. Wu is interested in the entire issued share capital of R&P Global Limited and he is therefore deemed to be interested in the Shares held by R&P Global Limited by virtue of the SFO.
5. Mr. Rao is interested in the entire issued share capital of Meteor Technology International Limited and he is therefore deemed to be interested in the Shares held by Meteor Technology International Limited by virtue of the SFO.

Save as disclosed above, as of 31 March 2018, 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 Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by Directors to be notified to our Company and the Hong Kong Stock Exchange.

(b) 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, on 31 March 2018, 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 Shares¹	Percentage of shareholding
Sulfulon International Limited	Beneficial owner	58,800,000	36.75%
Mr. Zhang Yan ²	Interest of controlled corporation	58,800,000	36.75%
Ms. Zheng Xin ³	Interest of spouse	58,800,000	36.75%
Raglon International Limited	Beneficial owner	19,200,000	12.00%
Mr. Huang Yong ⁴	Interest of controlled corporation	19,200,000	12.00%
Ms. Pan Li ⁵	Interest of spouse	19,200,000	12.00%
Mr. Zhang Xiongfeng	Beneficial owner	9,808,000	6.13%
Ms. Wu Mingqin ⁶	Interest of spouse	9,808,000	6.13%
R&P Global Limited	Beneficial owner	1,600,000	1.00%
Mr. Wu Zhe ⁷	Interest of controlled corporation	1,600,000	1.00%
Ms. Xu Yao ⁸	Interest of spouse	1,600,000	1.00%
Meteor Technology International Limited	Beneficial owner	1,600,000	1.00%
Mr. Rao Zhenwu ⁹	Interest of controlled Corporation	1,600,000	1.00%
Ms. Chen Xuanqi ¹⁰	Interest of spouse	1,600,000	1.00%



1. All interests stated are long positions.
2. 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.
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. Mr. Huang Yong is interested in the entire issued share capital of Raglon International Limited and he is therefore deemed to be interested in the Shares held by Raglon International Limited by virtue of the SFO.
5. Ms. Pan Li is the spouse of Mr. Huang Yong and she is therefore deemed to be interested in the Shares held by Mr. Huang Yong by virtue of the SFO.
6. Ms. Wu Mingqin is the spouse of Mr. Zhang Xiongfeng and she is therefore deemed to be interested in the Shares held by Mr. Zhang Xiongfeng by virtue of the SFO.
7. Mr. Wu Zhe is interested in the entire issued share capital of R&P Global Limited and he is therefore deemed to be interested in the Shares held by R&P Global Limited by virtue of the SFO.
8. Ms. Xu Yao is the spouse of Mr. Wu Zhe and she is therefore deemed to be interested in the Shares held by Mr. Wu Zhe by virtue of the SFO.
9. Mr. Rao Zhenwu is interested in the entire issued share capital of Meteor Technology International Limited and he is therefore deemed to be interested in the Shares held by Meteor Technology International Limited by virtue of the SFO.
10. Ms. Chen Xuanqi is the spouse of Mr. Rao Zhenwu and she is therefore deemed to be interested in the Shares held by Mr. Rao Zhenwu by virtue of the SFO.



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 terms of the Share Option Scheme are in compliance with the provisions of Chapter 23 of the GEM Listing Rules.

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 March 2018, the total number of Shares available for issue under the scheme is 16,000,000 Shares, representing 10% 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 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 HK\$1.00 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 31 March 2018 and since the adoption of the scheme.

Competing Interest

None of the Directors or the Controlling Shareholders or the substantial shareholders of the Company or their respective associates has any interest in any business which competed or may compete with the business of the Group during the Reporting Period.



Contracts with Controlling Shareholders

No contract of significance has been entered into between the Company or any of its subsidiaries and the Controlling Shareholders during the Reporting Period.

Directors' Interest in Contracts of Significance

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Director had a material interest in, whether directly or indirectly, and subsisted as of 31 March 2018 or at any time during the Reporting Period.

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 three months ended 31 March 2018.

Investment and Acquisition

The Group invested in two companies in Thailand during the Reporting Period, for the expansion in overseas markets, through which the Group can keep abreast of the information and trends of the Thai gaming market. Meanwhile, the Group is looking for qualified agents to develop and promote our game products. In addition, the Group established a wholly-owned subsidiary in Shenzhen, the PRC, during the Reporting Period to engage in research and development of game products for the better management of our game development project team.



Review by Audit Committee

The Audit Committee has reviewed the unaudited first quarterly results of the Company for the three months ended 31 March 2018 and made recommendations and advice.

By order of the Board
Fire Rock Holdings Limited
Zhang Yan
Chairman

Hong Kong, Friday, 11 May 2018

As of the date of this report, the Chairman and non-executive Director is Mr. Zhang Yan; the executive Directors are Mr. Huang Yong, Mr. Wu Zhe and Mr. Rao Zhenwu; the non-executive Directors are 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.