



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

INTERIM REPORT

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*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 GEM 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
Management Discussion and Analysis	10
Corporate Governance and Other Information	25
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)	33
Condensed Consolidated Statement of Financial Position (Unaudited)	34
Condensed Consolidated Statement of Changes in Equity (Unaudited)	35
Condensed Consolidated Statement of Cash Flows (Unaudited)	36
Notes to the Unaudited Condensed Consolidated Financial Statements	37



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 responses 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 monthly average 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”	GEM of the Stock Exchange
“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
“HKD” or “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, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“remuneration committee”	the remuneration committee under the Board
“Reporting Period”	the six months ended 30 June 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



“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
“THB”	Thai Baht, the lawful currency of Thailand
“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
Mr. CHU Hon Leung (appointed with effect from 29 June 2018)
Mr. CHAN Chin Wang Keith (resigned with effect from 29 June 2018)

Authorized Representatives

Mr. HUANG Yong
Mr. CHU Hon Leung (appointed with effect from 29 June 2018)
Mr. CHAN Chin Wang Keith (resigned with effect from 29 June 2018)

Compliance Officer

Mr. WU Zhe

Registered Office

Clifton House
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Grand Cayman KY1-1108
Cayman Islands

Headquarter and Principal Place of Business in the PRC

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Shenzhen, Guangdong
The People's Republic of China

Principal Place of Business in Hong Kong

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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

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

Principal Bankers

China Merchant Bank,
Shenzhen Branch
Bank of Communications. Co., Ltd.,
Hong Kong Branch

Compliance Adviser

China Everbright Capital Limited

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 six months ended 30 June	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue	64,320	34,105
Gross profit	56,287	29,268
Profit	36,939	21,354

- For the six months ended 30 June 2018, the Group's revenue increased approximately 88.6% from approximately RMB34.1 million for the six months ended 30 June 2017 to approximately RMB64.3 million.
- For the six months ended 30 June 2018, the Group's gross profit increased approximately 92.2% from approximately RMB29.3 million for the six months ended 30 June 2017 to approximately RMB56.3 million.
- For the six months ended 30 June 2018, the Group's profit increased approximately 72.4% from approximately RMB21.4 million for the six months ended 30 June 2017 to approximately RMB36.9 million.
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018 (Six months ended 30 June 2017: HK\$0.15 (approximately RMB0.129) per share).



MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors of Fire Rock Holdings Limited is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries for the six months ended 30 June 2018. The interim results have been reviewed by the audit committee (“**Audit Committee**”) of the Company.

Business Review and Prospects

Review

We are a game developer focused on the development of browser and mobile games. As of 30 June 2018, we have commercially launched 16 self-developed game series in aggregate, including the mobile and browser versions of the Kings & Legends (王者召喚) series, the mobile and browser versions of the Hero’s Crown (英雄皇冠) series, the browser version of the Heroines of Three Kingdoms (姬戰三國) series, the mobile version of the Endless Battles (無盡爭霸) series, the mobile version of the Legend of Fairies (萌仙記) series, the mobile version of the Road of Vengeance (復仇之路) series, the mobile version of the Number Drop series, the mobile version of the G-game series, the mobile version of the Sweeties Fighting (零食大亂鬥) series, the mobile version of War of the Sulfurons (薩弗隆戰記) series, the mobile version of the Super Tycoon (超級大亨) series, the mobile version of the Forest Gala (森林大聯歡) series, the mobile version of the Fish Catching Contest (捕魚大亂鬥) series, the mobile version of the Super Cute Monster (超級逗萌獸) series, the mobile version of the Super Rich (超級大富翁) series and the mobile version of the Age of Star Wars (星戰紀) series.

Among the aforesaid game series with successful commercial launch, the Kings & Legends (王者召喚) series, magical and fantasy-based tactics card games in Japanese style representing our first independently developed game series, has been in the market for 6 years since its commercial launch in March 2012. Its longer-than-average life cycle has been primarily attributable to our incessant effort in upgrading and optimising the game contents to appeal to players, increase their participation and enhance their game experience, which have also resulted in stable income for us. For the six months ended 30 June 2018, revenue generated from the Kings & Legends (王者召喚) series maintained its important position in our game portfolio, accounting for approximately 2.6% of our total revenue for the Reporting Period. The Hero’s Crown (英雄皇冠) series, turn-based tactics card RPG games in fantasy-style against a medieval European setting representing our second independently developed game series, has continued to contribute substantial income since its commercial launch in January 2015 more than 3 years ago. For the six months ended 30 June 2018, revenue generated from the Hero’s Crown (英雄皇冠) series accounted for approximately 4.5% of our total revenue for the Reporting Period. The mobile version of the



Sweeties Fighting (零食大亂鬥) series, a cartoon-style tower defense game commercially launched in May 2017, reported revenue of approximately RMB25.1 million for the six months ended 30 June 2018, accounting for approximately 39.1% of our total revenue for the Reporting Period. The mobile version of the Fish Catching Contest (捕魚大亂鬥) series, a magical and fantasy-based hunting game commercially launched in December 2017, reported revenue of approximately RMB24.6 million for the six months ended 30 June 2018, accounting for approximately 38.2% of our total revenue for the Reporting Period. The success of the aforementioned game series has highlighted our emphasis on meticulous attention to details in product development and our research and development capabilities in delivering exquisite games, and has also bolstered our confidence in sustaining our operations through ongoing optimisation and upgrades of our premium games. Such success has also reflected the breakthrough we have achieved in the increasingly competitive market for mobile games and a greater market share we garnered thanks to our astute perception of and swift response to market developments, proactive approach to understand current trends and formulate lucid development strategies, and effort to seize opportunities in market developments on the back of our inherent strengths by committing significant resources to the research and development of mobile games.

In terms of financial performance, the Group's revenue for the six months ended 30 June 2018 amounted to approximately RMB64.3 million, increasing by RMB30.2 million compared to approximately RMB34.1 million for the six months ended 30 June 2017. Revenue generated from browser games and mobile games amounted to approximately RMB2.4 million and approximately RMB61.9 million, respectively, decreasing by 72.1% and increasing by 142.7%, respectively, as compared to approximately RMB8.6 million and approximately RMB25.5 million, respectively, for the same period of 2017. Revenue generated from mobile games accounted for 96.3% of the Group's revenue. Profit attributable to the equity owners of the Company amounted to approximately RMB36.9 million for the six months ended 30 June 2018, increasing by RMB15.5 million from approximately RMB21.4 million for the six months ended 30 June 2017.

In terms of game products, two mobile games, the Super Rich (超級大富翁) and the Age of Star Wars (星戰紀), were commercially launched in February 2018 and June 2018 in a further enrichment of our portfolio of games. The Endless Battles (無盡爭霸) series, an idle game based on stories of the Three Kingdoms commercially launched in February 2016, was terminated and removed from the platforms of game operators in April 2018 following consultation with the game operators, owing to its unsatisfactory overall performance.

As at 30 June 2018, there were 15 game series under licenses to game operators for operation, launch and distribution (namely, in operation) within an agreed period in designated territories.

For the six months ended 30 June 2018, revenues generated by our 5 leading game series in monetary amounts and as a percentage of total revenue are set out as follows: the mobile version of the Sweeties Fighting (零食大亂鬥) series commercially launched in May 2017 reported revenue of approximately RMB25.1 million for the six months ended 30 June 2018, accounting for approximately 39.1% of our total revenue; the mobile version of the Fish Catching Contest (捕魚大亂鬥) series commercially launched in December 2017 reported revenue of approximately RMB24.6 million for the six months ended 30 June 2018, accounting for approximately 38.2% of our total revenue; the Hero's Crown (英雄皇冠) series commercially launched in its browser version in January 2015 and in its mobile version in February 2016, the mobile and browser versions of Hero's Crown (英雄皇冠) series reported revenue of approximately RMB2.9 million for the six months ended 30 June 2018, accounting for approximately 4.5% of our total revenue; the Number Drop series commercially launched in March 2017 reported revenue of approximately RMB2.2 million for the six months ended 30 June 2018, accounting for approximately 3.4% of our total revenue; the G-game series mobile version commercially launched in March 2017 reported revenue of approximately RMB2.0 million for the six months ended 30 June 2018, accounting for approximately 3.1% of our total revenue.

The table below sets forth the fifteen main series of games which are operating and commercially launched by our licensed operators as of 30 June 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	Browser	December 2012
	デイウアイン・グリモワール / Divine Grimoire	Browser	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	魔戒外傳	Mobile	April 2016



Language version	Game title	Platform	Initial commercial launch date
<i>Heroines of Three Kingdoms (姬戰三國) series of games</i> Simplified Chinese	姬战三国	Browser	January 2015
<i>Legend of Fairies (萌仙記) series of games</i> Simplified Chinese	萌仙记	Mobile	March 2016
<i>Road of Vengeance (復仇之路) 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
<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
<i>Age of Star Wars (星戰紀) of games</i> Simplified Chinese	星战纪	Mobile	June 2018



As at 30 June 2018, we also had two game series under research and development, including 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, the Royal Casino (皇家娛樂城) series is expected to be launched in the third quarter of 2018. The Shaky Battle (晃晃大作戰) series was commercially launched on 1 July 2018. In addition, due to the expiration of the game licensing agreements and business realignment of game operators, we underwent negotiation with licensed operators and discontinued the operation of two game series on the platform of licensed operators, namely the Legend of Fairies (萌仙記) series and War of the Sulfurons (薩弗隆戰記) series in July 2018, terminating the operation of such two games.

Prospects

To address escalating competition in the market, we will continue to operate with diligent and meticulous efforts.

We will continue to grow our strengths in research and development and leverage our solid capabilities in research and development and innovation to develop exquisite games with higher quality and longer life-cycle, upgrade and optimise existing games, and invest comprehensive resources in our core products. We will also make vigorous endeavours in the development of innovative game types and launch more innovative products with premium quality to further enhance the Group's profile as a top-class global game content provider.

We will continue to enhance our cooperation with licensed operators through the introduction of new modes of play, the launch of different language versions for different players, investigate the operation mode for licensed games with licensed operators, and implement precise management and innovative promotion of our games, with a view to giving full play to our strengths in the research and development of games and enhancing our reputation in the research and development of games.

In addition, we will make vigorous efforts to expand overseas markets and promote our games to new potential areas and regions, enhancing our ability to compete internationally in order to evolve and grow in this intensely competitive industry.

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 six months ended 30 June 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 88.6% from approximately RMB34.1 million for the six months ended 30 June 2017 to approximately RMB64.3 million for the six months ended 30 June 2018. The increase in revenue was mainly due to the increase in revenue brought by the launch of ten mobile game series successively since 2017, being Number Drop series, G-game series, Sweeties Fighting (零食大亂鬥) series, War of the Sulfulons (薩弗隆戰紀) series, Super Tycoon (超級大亨) series, Forest Gala (森林大聯歡) series, Fish Catching Contest (捕魚大亂鬥) series, Super Cute Monster (超級逗萌獸) series, Super Rich (超級大富翁) series and Age of Star Wars (星戰紀) 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 six months ended 30 June 2018 and 2017:

	For the six months ended 30 June			
	2018 RMB'000 (unaudited)		2017 RMB'000 (unaudited)	
		%		%
Browser version	2,369	3.7	8,602	25.2
License fees	—	—	1,999	5.8
Royalties	2,369	3.7	6,603	19.4
Mobile version	61,951	96.3	25,503	74.8
License fees	971	1.5	807	2.4
Royalties	60,980	94.8	24,696	72.4
	64,320	100.0	34,105	100.0

Revenue by game series

The table below sets forth the breakdown of revenue by game series for each of the six months ended 30 June 2018 and 2017:

	For the six months ended 30 June			
	2018 RMB'000 (unaudited)	%	2017 RMB'000 (unaudited)	%
Kings & Legends (王者召喚)	1,647	2.6	4,452	13.1
Hero's Crown (英雄皇冠)	2,887	4.5	12,233	35.9
Heroines of the Three Kingdoms (姬戰三國)	84	0.1	164	0.5
Endless Battles (無盡爭霸)	357	0.6	2,452	7.2
Legend of Fairies (萌仙記)	793	1.2	3,598	10.5
Road of Vengeance (復仇之路)	1,763	2.7	2,691	7.9
Number Drop	2,196	3.4	1,691	4.9
G-game	1,963	3.1	1,681	4.9
Sweeties Fighting (零食大亂鬥)	25,138	39.1	5,143	15.1
War of the Sulfurons (薩弗隆戰紀)	196	0.3	—	—
Super Tycoon (超級大亨)	135	0.2	—	—
Forest Gala (森林大聯歡)	930	1.4	—	—
Fish Catching Contest (捕魚大亂鬥)	24,555	38.2	—	—
Super Cute Monster (超級逗萌獸)	996	1.6	—	—
Super Rich (超級大富翁)	334	0.5	—	—
Age of Star Wars (星戰紀)	346	0.5	—	—
	64,320	100.0	34,105	100.0

Revenue by geographical markets

The following table sets forth our 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 each of the six months ended 30 June 2018 and 2017:

	2018		2017	
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
The PRC ¹	63,863	99.3	31,461	92.3
The PRC ^{2,4}	—	—	522	1.5
The PRC ^{3,4}	—	—	624	1.8
North America ²	—	—	144	0.4
Asia Pacific (including Japan and Taiwan) ²	303	0.5	981	2.9
Europe ³	154	0.2	373	1.1
Total	64,320	100.0	34,105	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 six months ended 30 June 2018 amounted to approximately RMB8.0 million, representing an increase of approximately 66.7% as compared to approximately RMB4.8 million for the same period in 2017. The increase in our direct costs was mainly due to the commercial launch of two new mobile games during the Reporting Period, being the Super Rich (超級大富翁) series and Age of Star Wars (星戰紀) series, which resulted in the increase in amortisation of our intangible assets, the increase in salaries and welfare expenses and the increase in business tax and surcharges resulted from the significant increase in revenue.

Gross profit and gross profit margin

Our gross profit for the six months ended 30 June 2018 amounted to approximately RMB56.3 million, representing an increase of approximately RMB27.0 million as compared to approximately RMB29.3 million for the six months ended 30 June 2017. Our gross profit margin for the six months ended 30 June 2018 was approximately 87.6% and approximately 85.9% for the six months ended 30 June 2017. The increase in our gross profit and gross profit margin was mainly due to the increase in revenue brought by the commercial launch of various mobiles game series since 2017.

Other income

Our other income mainly consisted of interest income from short-term bank deposits. For the six months ended 30 June 2018, our other income was approximately RMB0.7 million, compared with approximately RMB0.3 million for the same period of 2017.

Game research costs

Our game research costs for the six months ended 30 June 2018 amounted to approximately RMB0.3 million, remaining relatively stable as compared to RMB0.3 million for the six months ended 30 June 2017.



Distribution costs

Our distribution costs for the six months ended 30 June 2018 amounted to approximately RMB0.4 million, representing an increase of approximately RMB0.1 million as compared to RMB0.3 million for the same period in 2017, mainly due to the increase in salaries and benefits of promotional staff.

Administrative expenses

Our administrative expenses for the six months ended 30 June 2018 amounted to approximately RMB8.1 million, representing an increase of approximately 80.0% as compared to approximately RMB4.5 million for six months ended 30 June 2017. The increase in our administrative expenses was mainly due to the increase in salaries, benefits, consultation fees of our administrative staff, depreciation of fixed assets as well as the increase in rentals for our operating premises.

Income tax expense

Our income tax expense for the six months ended 30 June 2018 amounted to approximately RMB11.2 million while we recorded RMB3.0 million for the six months ended 30 June 2017. The increase in our income tax expense was mainly due to the significant increase in the profits of the PRC subsidiary of the Group 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 72.4% from approximately RMB21.4 million for the six months ended 30 June 2017 to approximately RMB36.9 million for the six months ended 30 June 2018.



Liquidity and Financial Resources

For the six months ended 30 June 2018, we mainly financed our business with cash generated from our operating activities. We intend to fund our expansion and business operations through our internal resources and on-going internal growth.

Treasury Policy

During the six months ended 30 June 2018, the Group deposited its idle capital with commercial banks in the PRC and Hong Kong as short-term time deposits to allow inactive capital of the Group to generate certain return and did not engage in any investments with high risks or speculative derivative instruments.

Cash and Cash Equivalents

As of 30 June 2018, our cash and cash equivalents amounted to approximately RMB105.0 million, compared with approximately RMB78.5 million as of 31 December 2017, which primarily consisted of cash at bank and cash in hand and which are mainly denominated in RMB (as to approximately 77.4%), HKD (as to approximately 20.2%), THB (as to approximately 2.3%) and USD (as to approximately 0.1%).

Capital Expenditures

Our capital expenditures comprised expenditures on the purchase of furniture and office equipment and leasehold improvements. For the six months ended 30 June 2018, our total capital expenditures amounted to approximately RMB0.4 million, representing the purchase of furniture and office equipment (same period in 2017: approximately RMB0.6 million, representing the purchase of furniture and office equipment). We funded our capital expenditure by using our cash flow generated from our operations.

Capital Structure

The Shares were listed on GEM of the Stock Exchange on 18 February 2016. The capital structure of the Company comprised of issued share capital and reserves.

Borrowings and Gearing Ratio

During the six months ended 30 June 2018, we did not have any short-term or long-term bank borrowings.

As of 30 June 2018, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 11.2% (31 December 2017: approximately 5.2%).

Charge on Group Assets

As of 30 June 2018, no assets of the Group was pledged as a security for bank borrowings or any other financing facilities (31 December 2017: Nil).

Information on Employees and Remuneration Policy

As of 30 June 2018, the Group had 112 employees (30 June 2017: 95), who mainly worked and located in the PRC. The table below sets forth the number of employees by function as at 30 June 2018 and 2017:

Department	As of 30 June			
	2018		2017	
	<i>Number of employees</i>	<i>% of total employees</i>	<i>Number of employees</i>	<i>% of total employees</i>
Management	9	8%	8	8%
Project Development	72	64%	61	64%
Game design	11	10%	15	16%
Programming	42	37%	26	27%
Art	19	17%	20	21%
Project Support	21	19%	16	17%
Marketing	1	1%	2	2%
Licensing and operator support	15	13%	8	9%
Information technology	5	5%	6	6%
Finance and Administration	10	9%	10	11%
Total	112	100%	95	100%



The total remuneration of the employees of the Company was approximately RMB9.6 million for the six months ended 30 June 2018 (same period in 2017: approximately RMB6.5 million).

The Company has established the Remuneration Committee on 24 January 2016 with written terms of reference in compliance with Appendix 15 to the GEM Listing Rules.

The Remuneration Committee will regularly review and recommend to the Board from time to time on the remuneration and compensation of the Directors and senior management of the Group.

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

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

Given the intense competition of the industry, in order to maintain our core competence for future development, management of the Group is considering a series of measures to reward and retain outstanding employees. Such measures include improving remuneration packages and providing various benefits, so as to enhance the company's capability for sustainable development and maintain a leading position in the industry.

Significant Investments, Material Acquisitions or Disposal of Subsidiaries and Associated Companies

During the Reporting Period, the Group invested in two companies in Thailand so as to expand in overseas markets, through which the Group can keep abreast of the information and trends of the Thai 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. Save for the investments mentioned above, there was no other significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

Contingent Liabilities

As of 30 June 2018, the Group did not have any significant contingent liabilities (31 December 2017: Nil).

Foreign Exchange Risks


The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD, EUR, JPY, THB and HKD. Approximately 0.7% of the revenue are denominated in currencies other than the functional currency of the operating units making the sales for the six months ended 30 June 2018 (30 June 2017: approximately 7.7%). Therefore, foreign exchange risks primarily arose from recognised assets in the Group when receiving or to receive foreign currencies from overseas cooperated counter parties.

Approximately 99.3% (30 June 2017: approximately 92.3%) of the transactions of the Company are denominated and settled in its functional currency, RMB. The Company's foreign exchange risks primarily arose from the cash and cash equivalents denominated in USD, EUR and HKD.

The Group currently does not have any hedging policy in respect of the foreign currency risk. However, our management team closely monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. In this respect, we are not exposed to any significant foreign currency exchange risk in our operation.

Use of Proceeds from the Placing

The Shares of the Company was listed on GEM of the Stock Exchange on 18 February 2016, and the net proceeds from the Placing was approximately HK\$28.9 million. During the Reporting Period, the Group has spent approximately HK\$3.6 million of the proceeds from the Placing on the investment in our business in Thailand by setting up new subsidiaries.



As at 30 June 2018, the Group has spent approximately HK\$15.7 million, in aggregate, of the proceeds from the Placing (approximately HK\$7.2 million on development of new games on mobile devices platform, approximately HK\$2.9 million on the continual optimisation of our existing games on various platforms, approximately HK\$0.5 million on enhancing our game development capabilities, approximately HK\$3.6 million on the acquisition/investment of game developers and related companies and approximately HK\$1.5 million for working capital and other general corporate uses). The Group is currently actively seeking opportunities to obtain/acquire the adaptation rights of appropriate source materials, opportunities to acquire/invest in game developers.

Earnings Per Share

For the six months ended 30 June 2018, the earnings per share of the Group was approximately RMB21.99 cents. The calculation is based on profit attributable to owners of the Company for the period of approximately RMB36.9 million and the weighted average number of 167,955,800 ordinary shares outstanding during the Reporting Period.

For the six months ended 30 June 2017, the earnings per share of the Group was approximately 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 160,000,000 ordinary shares outstanding during the six months ended 30 June 2017.

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 2018 and 2017.

Interim Dividends

On 22 June 2018, the Company paid a final dividend for 2017 in form of a cash dividend of HK\$0.125 (equivalent to approximately RMB0.103) per share and bonus shares on the basis of 1 share for every share held to the shareholders whose names appear on the register of members of the Company as at 8 June 2018.

Save as disclosed above, the Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (Six months ended 30 June 2017: HK\$0.15 (approximately RMB0.129) per share).



CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

The Board is committed to achieving a high standard of corporate governance, to protect interests, 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 as its own code of corporate governance practices.

The Directors consider the Company has complied with all the Code provisions set out in the Code 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 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 six months ended 30 June 2018.

Disclosure of Interest as Per Registers Kept Pursuant to the SFO

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

As at 30 June 2018, the Directors and the chief executive of our Company had the interests and short positions in the Shares, underlying shares and debentures of our Company and any of its associated corporations (within the meaning of part XV of the SFO):

- (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 they are 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	117,600,000	36.75%
Mr. Huang Yong ³	Interest in controlled corporation	38,400,000	12.00%
Mr. Zhang Xiongfeng	Beneficial Owner	19,616,000	6.13%

1. All interests stated are long positions.

On 22 June 2018, the Company paid a final dividend for 2017 on the basis of 1 bonus share for every share held to the shareholders whose names appear on the register of members of the Company as at 8 June 2018, thereby increasing the number of shares of the Company from 160,000,000 to 320,000,000.

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.

Save as disclosed above, as at 30 June 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 they will be taken or deemed to have under such provisions of 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 30 June 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	117,600,000	36.75%
Mr. Zhang Yan ²	Interest of controlled corporation	117,600,000	36.75%
Ms. Zheng Xin ³	Interest of spouse	117,600,000	36.75%
Raglon International Limited	Beneficial owner	38,400,000	12.00%
Mr. Huang Yong ⁴	Interest of controlled corporation	38,400,000	12.00%
Ms. Pan Li ⁵	Interest of spouse	38,400,000	12.00%
Mr. Zhang Xiongfeng	Beneficial owner	19,616,000	6.13%
Ms. Wu Mingqin ⁶	Interest of spouse	19,616,000	6.13%

1. All interests stated are long positions.

On 22 June 2018, the Company paid a final dividend for 2017 on the basis of 1 bonus share for every share held to the shareholders whose names appear on the register of members of the Company as at 8 June 2018, thereby increasing the number of shares of the Company from 160,000,000 to 320,000,000.

- 
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 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 deemed to be interested in the Shares held by Mr. Zhang Xiongfeng 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 of 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 30 June 2018, the total number of Shares available for issue under the scheme is 32,000,000 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 a share option may be exercised will be determined by the Board at its absolute discretion, save that no share option may be exercised more than 10 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 option has been granted as at 30 June 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 30 June 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 six months ended 30 June 2018.

Audit Committee

We established the Audit Committee on 24 January 2016. The chairman of the Audit Committee is Mr. Chan King Fai, our independent non-executive Director, and other members include Mr. He Yunpeng and Mr. Chen Di, our independent non-executive Directors. The written terms of reference of the Audit Committee are published on the GEM website and the Company's website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group's unaudited financial statements for the six months ended 30 June 2018 have been reviewed by the Audit Committee. The Audit Committee is of the view that the preparation of the Group's unaudited financial statements for the six months ended 30 June 2018 complied with applicable accounting standards, the GEM listing Rules and that adequate disclosures have been made.



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 share capital of the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

Change of Company Secretary

Mr. Chan Chin Wang Keith has resigned as the company secretary of the Company (the "**Company Secretary**") and authorised representative of the Company for acceptance of service of process and notices under the Companies Ordinance (Cap. 622) of the Laws of Hong Kong (the "**Authorised Representative**") with effect from 29 June 2018. Mr. Chu Hon Leung was appointed as the Company Secretary and Authorised Representative of the Company with effect from 29 June 2018. The details of the change of Company Secretary is set out in the announcement of the Company dated 29 June 2018.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	2018 RMB (unaudited)	2017 RMB (unaudited)
Revenue	4	64,320,089	34,105,396
Direct costs		(8,032,666)	(4,837,123)
Gross profit		56,287,423	29,268,273
Other income	4	660,008	262,575
Game research costs		(300,085)	(266,662)
Distribution costs		(401,141)	(323,562)
Administrative expenses		(8,085,617)	(4,538,263)
Operating profit		48,160,588	24,402,361
Share of loss investments accounted for using equity accounting		(32,895)	—
Profit before income tax	5	48,127,693	24,402,361
Income tax expense	6	(11,188,359)	(3,048,068)
Profit for the period		36,939,334	21,354,293
Other comprehensive income Items that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of foreign operations		(297,092)	(724,706)
Other comprehensive income for the period		(297,092)	(724,706)
Total comprehensive income for the period		36,642,242	20,629,587
Profit for the period attributable to:			
Owners of the Company		36,952,070	21,354,293
Non-controlling interests		(12,736)	—
		36,939,334	21,354,293
Total comprehensive income attributable to:			
Owners of the Company		36,655,036	20,629,587
Non-controlling interests		(12,794)	—
		36,642,242	20,629,587
Earnings per share Basic and diluted	8	RMB cents 21.99	RMB cents 13.35

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		As at 30 June 2018 RMB (unaudited)	As at 31 December 2017 RMB (audited)
Non-current assets			
Property, plant and equipment	9	1,583,824	1,746,442
Intangible assets	10	9,203,767	8,040,339
Investments accounted for using equity method	11	3,143,677	—
		13,931,268	9,786,781
Current assets			
Trade receivables	12	33,922,808	28,881,795
Prepayments, deposits and other receivables		939,474	2,101,559
Short-term bank deposits	13	—	10,000,000
Cash and cash equivalents	13	105,040,420	78,533,972
		139,902,702	119,517,326
Current liabilities			
Other payables and accruals	14	2,498,474	2,890,919
Deferred revenue	15	1,854,529	2,212,211
Dividend payables		835,910	451,391
Tax payables		4,370,905	2,443,991
		9,559,818	7,998,512
Net current assets		130,342,884	111,518,814
Total assets less current liabilities		144,274,152	121,305,595
Non-current liabilities			
Deferred revenue	15	273,332	844,307
Deferred tax liabilities		7,400,000	4,000,000
		7,673,332	4,844,307
Net assets		136,600,820	116,461,288
Equity			
Equity attributable to owners of the Company			
Share capital	16	2,669,060	1,347,236
Reserves		133,924,464	115,114,052
		136,593,524	116,461,288
Non-controlling interests		7,296	—
Total equity		136,600,820	116,461,288

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		
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB		
For the six months ended										
30 June 2017 (unaudited)										
As 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	—	—	—	—	—	—	21,354,293	21,354,293	—	21,354,293
Other comprehensive income for the period:										
— Exchange differences on translation of foreign operation	—	—	—	—	—	(724,706)	—	(724,706)	—	(724,706)
Total comprehensive income for the period	—	—	—	—	—	(724,706)	21,354,293	20,629,587	—	20,629,587
As at 30 June 2017 (unaudited)	1,347,236	35,021,914	11,201,260	10,000,000	7,198,564	1,939,884	50,129,380	116,838,238	—	116,838,238
For the six months ended										
30 June 2018 (unaudited)										
As 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
Profit/(Loss) for the period	—	—	—	—	—	—	36,952,070	36,952,070	(12,736)	36,939,334
Other comprehensive income for the period:										
— Exchange differences on translation of foreign operation	—	—	—	—	—	(297,034)	—	(297,034)	(58)	(297,092)
Total comprehensive income for the period	—	—	—	—	—	(297,034)	36,952,070	36,655,036	(12,794)	36,642,242
Non-controlling interests arising on establishment of a non wholly-owned subsidiary	—	—	—	—	—	—	—	—	20,090	20,090
Issuance of bonus shares (note 16)	1,321,824	—	—	—	—	—	(1,321,824)	—	—	—
Payment of 2017 final dividend (note 7)	—	—	—	—	—	—	(16,522,800)	(16,522,800)	—	(16,522,800)
As at 30 June 2018 (unaudited)	2,669,060	35,021,914	11,201,260	10,000,000	12,179,207	(170,164)	65,692,247	136,593,524	7,296	136,600,820

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	2018 RMB (unaudited)	2017 RMB (unaudited)
Net cash generated from operating activities	39,513,607	16,278,468
Net cash generated from investing activities	2,986,593	6,243,941
Net cash used in financing activities	(15,696,660)	—
Net increase in cash and cash equivalents	26,803,540	22,522,409
Cash and cash equivalents at beginning of period	78,533,972	70,105,578
Effect of foreign exchange rate changes	(297,092)	(724,706)
Cash and cash equivalents at end of period	105,040,420	91,903,281
Analysis of cash and cash equivalents		
Cash at banks and in hand	38,178,420	91,903,281
Short-term bank deposits with original maturity of less than three months	66,862,000	—



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 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 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 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 financial position as at 30 June 2018, 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, 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 10 August 2018.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Condensed Financial Statements for the six months ended 30 June 2018 has been prepared in accordance with the 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 Interim Condensed Financial Statements for the six months ended 30 June 2018 are consistent with those of the annual financial statements for the year ended 31 December 2017 issued by the Company on 26 March 2018, as described in those annual financial statements except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2018. The Interim 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 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

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	
	2018 RMB (unaudited)	2017 RMB (unaudited)
The PRC (place of domicile)	63,863,306	32,607,003
North America	—	143,722
Japan	240,227	840,039
Taiwan	62,851	141,742
Germany	153,705	372,890
	64,320,089	34,105,396

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

	For the six months ended 30 June	
	2018	2017
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
Licensed operator A	52,432,767	15,896,113
Licensed operator B	7,365,321	5,143,187
	59,798,088	21,039,300

4. REVENUE AND OTHER INCOME

	For the six months ended 30 June	
	2018	2017
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
Revenue		
License fees and royalties	64,320,089	34,105,396
Other income		
Interest income	660,008	262,575

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	For the six months ended 30 June	
	2018 RMB (unaudited)	2017 RMB (unaudited)
Depreciation of plant and equipment*	522,550	359,271
Amortisation of intangible assets**	3,018,734	2,808,925
Operating lease rentals in respect of land and buildings	1,257,042	918,565
Operating lease rentals in respect of servers	149,905	139,329
Exchange loss, net	176,652	722,410

* 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.

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2018 RMB (unaudited)	2017 RMB (unaudited)
PRC Enterprise Income Tax ("EIT")	7,788,359	3,048,068
Deferred tax	3,400,000	—
	11,188,359	3,048,068

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 2018 and 2017.

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, 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 six months ended 30 June 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.

7. DIVIDENDS

On 22 June 2018, the Company paid a final dividend for 2017, in form of Hong Kong Dollars (“HK\$”) HK\$20.0 million (equivalent to approximately RMB16.5 million) in cash (or HK\$0.125 (approximately RMB0.103) per share) and 160,000,000 bonus shares on the basis of 1 share for every share held to the shareholders listed on the register of members of the Company as at 8 June 2018 (note 16).

Save as disclosed above, the Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (Six months ended 30 June 2017: HK\$0.15 (approximately RMB0.129) per share).



8. EARNINGS PER SHARE

For the six months ended 30 June 2018, the calculation of earnings per share is based on the profit attributable to owners of the Company for the period of approximately RMB36.9 million and the weighted average number of 167,955,800 ordinary shares outstanding during the period.

For the six months ended 30 June 2017, the calculation of earnings per share is based on the profit attributable to owners of the Company for the period of approximately RMB21.4 million and the weighted average 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 six months ended 30 June 2018 and 2017.

9. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2018, purchases of related equipment by the Group was RMB0.4 million (for the six months ended 30 June 2017: approximately RMB0.6 million).

10. INTANGIBLE ASSETS

For the six months ended 30 June 2018, additional development cost of the Group was approximately RMB4.2 million (for the six months ended 30 June 2017: RMB3.4 million).

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	As at 30 June 2018 RMB (unaudited)	As at 31 December 2017 RMB (audited)
At beginning of the period	—	—
Increase during the period	3,176,572	—
Share of loss	(32,895)	—
At end of the period	3,143,677	—

Name	Principle business	Place of registration	Place of operation	Percentage of	Percentage of	Measuring method
				interest held as at 30 June 2018	interest held as at 31 December 2017	
Newbie Media Co., Ltd	Technology consulting	Bangkok	Bangkok	45.0	—	Equity accounting

12. 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 2018 RMB (unaudited)	As at 31 December 2017 RMB (audited)
0–30 days	12,372,399	11,602,300
31–60 days	10,920,840	8,285,209
61–90 days	9,883,195	7,782,952
91–120 days	194,625	304,147
More than 120 days	551,749	907,187
	33,922,808	28,881,795

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

	As at 30 June 2018 RMB (unaudited)	As at 31 December 2017 RMB (audited)
Neither past due nor impaired	33,371,059	27,974,608
Past due for less than 30 days	179,714	110,368
Past due for more than 30 days but less than 60 days	83,488	357,875
Past due for more than 60 days but less than 120 days	56,497	273,978
Past due for more than 120 days but less than 1 year	229,403	162,893
Past due for more than 1 year	2,647	2,073
	33,922,808	28,881,795

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. No impairment allowance was provided as there has not been a significant change in credit quality based on historical experience. Also, the Group determine that there are no significant financial impact arising from the adoption of expected credit loss approach under HKFRS 9 for all trade and other receivables as at 30 June 2018.

The Group does not hold any collateral over these balances.



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

	As at 30 June 2018 RMB (unaudited)	As at 31 December 2017 RMB (audited)
Cash at banks and in hand	38,178,420	40,841,745
Short-term bank deposits with original maturity of less than three months	66,862,000	37,692,227
Cash and cash equivalents	105,040,420	78,533,972
Short-term bank deposits with original maturity of more than three months	—	10,000,000
	105,040,420	88,533,972

Cash at banks earns interest at floating rate based on daily bank deposit rates.

RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.



14. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2018 RMB (unaudited)	As at 31 December 2017 RMB (audited)
Accruals	1,914,198	1,935,675
Other payables	584,276	955,244
	2,498,474	2,890,919

15. DEFERRED REVENUE

	As at 30 June 2018 RMB (unaudited)	As at 31 December 2017 RMB (audited)
Deferred license fees		
— Current	1,854,529	2,212,211
— Non-current	273,332	844,307
	2,127,861	3,056,518

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 2018 and 31 December 2017, deferred revenue included in non-current liabilities was expected to be recognised as license fees and royalties within two years commencing from the end of the reporting period.

16. SHARE CAPITAL

	2018	
	Number	Amount RMB
Authorised: Ordinary shares of HK\$0.01 each At 1 January 2017, 31 December 2017 and 30 June 2018	500,000,000	4,199,383
Issued and fully paid: Ordinary shares of HK\$0.01 each At 1 January 2017 and 31 December 2017 (audited)	160,000,000	1,347,236
Issuance of bonus shares (<i>Note</i>)	160,000,000	1,321,824
At 30 June (unaudited)	320,000,000	2,669,060

Note

On 22 June 2018, the Company issued 160,000,000 bonus shares to the shareholders listed on the register of members of the Company as at 8 June 2018 on the basis of 1 bonus share for every share held (note 7).

17. RELATED PARTY TRANSACTIONS

Emoluments of Key Management Personnel

Emoluments paid or payable to members of the key management personnel, who are directors, the chief executive officer and senior management, for their service are set out below:

	For the six months ended 30 June	
	2018 RMB (unaudited)	2017 RMB (unaudited)
Salaries, allowances and benefits in kind	1,567,449	963,536
Contributions to defined contribution retirement plan	44,853	36,132
	1,612,302	999,668



18. OPERATING LEASE COMMITMENTS

Future minimum rental payable under non-cancellable operating lease in respect of rented premises is as follows:

	As at 30 June 2018 RMB (unaudited)	As at 31 December 2017 RMB (audited)
Within one year	2,324,578	861,352
In the second to fifth year	1,658,835	209,720
	3,983,413	1,071,072

The Group leases three offices under operating lease. The lease runs for an initial period of three years (2017: three years). The above lease commitments only include commitments for basic rental and none of the lease includes any contingent rental.

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

Hong Kong, Friday, 10 August 2018

As at 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.