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**火岩控股**  
FIRE ROCK HOLDINGS

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

(Stock Code on GEM: 8345)

(Stock Code on Main Board: 1909)

**TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED**

Sole Sponsor

**SUNWAH KINGSWAY**  
**新華滙富**

**Kingsway Capital Limited**

On 9 October 2018, an application was made by the Company to the Stock Exchange for the transfer of listing of the Shares from GEM to the Main Board.

The Company has applied for the listing of, and permission to deal in (i) 320,000,000 Shares in issue and (ii) 16,000,000 Shares which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme on the Main Board by way of transfer of the listing of the Company from GEM to the Main Board.

The Board confirms that all pre-conditions for the Transfer of Listing as set out in Rule 9A.02 of the Main Board Listing Rules have been fulfilled in relation to the Company and its Shares as at the date of this announcement.

The approval-in-principle was granted by the Stock Exchange on Wednesday, 19 June 2019 for the Transfer of Listing.

The last day of dealings in the Shares on GEM (Stock code: 8345) will be Wednesday, 26 June 2019. Dealings in the Shares on the Main Board (Stock code: 1909) will commence at 9:00 a.m. on Thursday, 27 June 2019.

## **TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD**

Reference is made to the announcements issued by the Company dated 12 June 2018, 9 October 2018 and 15 April 2019 in relation to the Transfer of Listing.

On 9 October 2018, an application was made by the Company to the Stock Exchange for the Transfer of Listing. As six months had passed since the application, a re-submission for the Transfer of Listing application has been made by the Company to the Stock Exchange on 15 April 2019. The Company has applied for the listing of, and permission to deal in (i) 320,000,000 Shares in issue and (ii) 16,000,000 Shares which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme on the Main Board by way of Transfer of Listing of the Company from GEM to the Main Board.

The Board confirms that all pre-conditions for the Transfer of Listing as set out in Rule 9A.02 of the Main Board Listing Rules have been fulfilled in relation to the Company and its Shares as at the date of this announcement.

The approval-in-principle was granted by the Stock Exchange on Wednesday, 19 June 2019 for the Shares to be listed on the Main Board and de-listed from GEM.

## **REASONS FOR THE TRANSFER OF LISTING**

The Group is a developer of mobile and browser games which licensed its games to various well-established game operators. While the principal place of the Group's operation is the PRC, the Group's licensed operators and games' players are from many different countries and regions around the world, including but not limited to the PRC, North America, Asia Pacific region and Europe. Since its establishment, the Group did not operate, publish and promote its self-developed games by itself.

The Group has been rapidly growing and since the listing of the Company on GEM in February 2016, the Group has continued to develop new games vigorously. For the years ended 31 December 2017 and 2018 and the three months ended 31 March 2019, more than 10 game series developed by the Group have been commercially launched by its licensed operators, which further expanded the Group's game portfolio and revenue sources. During the year ended 31 December 2018, the Group also invested in two companies in Thailand to seek further development in overseas markets and established a wholly-owned subsidiary in Shenzhen, the PRC for the better management of the Group's game development project team.

The Group achieved continuous growth in its revenue which can be demonstrated by the increase in revenue by approximately 78.4% from approximately RMB45.0 million for the year ended 31 December 2016 to approximately RMB80.3 million for the year ended 31 December 2017, and further increased by approximately 100.1% to approximately RMB160.7 million for the year ended 31 December 2018.

In light of the above, the Directors consider that the listing of the Shares on the Main Board will be beneficial to the future growth, financial flexibility and business development of the Group. In addition, the Directors believe that the listing of the Shares on the Main Board will enhance the profile and public recognition of the Group as well as increase the trading liquidity of the Shares.

As at the date of this announcement, no change in nature of business of the Group is contemplated by the Directors following the Transfer of Listing.

### **DEALINGS IN THE SHARES ON THE MAIN BOARD**

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 18 February 2016, the date on which the Shares were listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (Stock code: 8345) will be Wednesday, 26 June 2019. Dealings in the Shares on the Main Board (Stock code: 1909) will commence at 9:00 a.m. on Thursday, 27 June 2019. The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for delivery, trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates.

No change will be made to the stock short names of the Company, the board lot size, the trading currency and the share registrars of the Shares in connection with the Transfer of Listing. Shares will be traded under the new stock code 1909 in board lots of 2,000 Shares each following the Transfer of Listing.

### **GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted to the Directors to allot and issue new Shares and repurchase Shares by the Shareholders on 1 June 2018 will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;

- (b) the expiration of the period within which the next annual general meeting of the Company is required by its articles of association or any applicable laws to be held; or
- (c) the revocation or variation of such authority by an ordinary resolution of Shareholders in general meeting.

## **WAIVER FROM STRICT COMPLIANCE WITH THE MAIN BOARD LISTING RULES**

Rule 8.12 of the Main Board Listing Rules provides that an applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive Directors must be ordinarily resident in Hong Kong.

The Group's principal place of operation is the PRC and it does not keep substantial business in Hong Kong. Accordingly, the Company does not and, for the foreseeable future, will not have executive Directors who are ordinarily resident in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Main Board Listing Rules. The Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Main Board Listing Rules. The Stock Exchange has granted the requested waiver to the Company on the condition that the Company would adopt the following arrangements to maintain an effective communication channel with the Stock Exchange:

- (a) the Company has appointed and will continue to appoint Mr. Huang Yong, the executive Director and the Chief Executive Officer of the Company, and Mr. Chu Hon Leung, one of the joint company secretaries of the Company, as its authorised representatives (the “**Authorised Representatives**”) pursuant to Rule 5.24 of the GEM Listing Rules (equivalent to Rule 3.05 of the Main Board Listing Rules), who will act as the principal channel of communication with the Stock Exchange. Mr. Huang Yong resides in the PRC, and Mr. Chu Hon Leung resides in Hong Kong. They are and will be readily contactable by phone, facsimile and/or email to deal promptly with enquiries from the Stock Exchange. In addition, Mr. Huang Yong possesses valid travel documents and can apply for visas to visit Hong Kong within a reasonably short period of time. Accordingly, the Authorised Representatives will be able to meet with the relevant members of the Stock Exchange on short notice;
- (b) the Company's Authorised Representatives have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. To enhance communication between the Stock Exchange, the Authorised Representatives and the Directors of the Company, the Company has implemented a policy whereby (i) each Director will provide his or her office phone number, mobile phone number, residential phone number, office facsimile number and email address to the Authorised Representatives; (ii) each Director will provide valid phone numbers or means of communication to the Authorised Representatives

when he or she travels; and (iii) all Directors will provide their mobile phone numbers, office phone numbers, email addresses and fax numbers to the Stock Exchange;

- (c) The Company has, in accordance with Rule 3A.19 of the Main Board Listing Rules, appointed Kingsway Capital Limited (the “**Compliance Adviser**”), who will act as an additional channel of communication with the Stock Exchange. The Compliance Adviser will advise on on-going compliance requirements and other issues arising under the Main Board Listing Rules and other applicable laws and regulations in Hong Kong during the period commencing on the listing date of the Company on the Main Board and ending on the date on which the Company complies with Rule 13.46 of the Main Board Listing Rules in respect of its financial results for the first full financial year commencing after the date of the commencement in dealing of the Shares on the Main Board;
- (d) meetings between the Stock Exchange and the Directors of the Company could be arranged through the Authorised Representatives of the Company, or directly with the Directors within a reasonable time frame. The Company will inform the Stock Exchange promptly in respect of any change in the Company’s Authorised Representatives; and
- (e) each Director who is not ordinarily resident in Hong Kong has confirmed that he or she either possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period upon request.

## **BUSINESS AND FINANCIAL OVERVIEW**

### **Principal business**

Headquartered in Shenzhen, the PRC, the Group is a game developer focusing on the development of mobile and browser games. The Group licenses its self-developed games to licensed operators in the PRC, North America, Japan, Taiwan, China and Germany to serve territories including the PRC, North America, Asia Pacific and Europe.

The Group makes its mobile and browser games available in multiple languages for players around the world, such as in simplified Chinese, traditional Chinese, English, Japanese, German and French. As of the Latest Practicable Date, 17 self-developed games of the Group have been commercially launched by its licensed operators in aggregate, including the 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 the War of the Sulfulons (薩

弗隆戰紀) 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, the mobile version of the Age of Star Wars (星戰紀) series and the mobile version of the Shaky Battle (晃晃大作戰) game series.

As at 31 March 2019, other than the mobile version of the Legend of Fairies (萌仙記) series, the mobile version of the War of the Sulfulons (薩弗隆戰紀) series and the mobile version of the Endless Battles (無盡爭霸) series, all other game series are still operating.

### **Business model**

The Group's games are designed to be operated under the free-to-play model, whereby game players can play games for free, but may need to pay for in-game tokens to enhance their gaming experience. Game players pay real currency for purchasing credits through platforms designated by the Group's licensed operators and exchange such credits into in-game tokens for virtual items and premium features to enhance their gaming experiences. The Group's licensed operators are responsible for paying the royalties and licence fees in accordance with the terms of the licensing agreements agreed with them.

The Group's revenue is derived from the following: (i) license fees in accordance with the contractual terms agreed with its licensed operators for granting the operating right for specific games within an agreed period and designated territories; and (ii) royalties which are calculated based on a pre-determined percentage sharing of the net sales of credits of its licensed operators which have been exchanged into in-game tokens purchased through platforms designated by its licensed operators in accordance with the terms of the licensing agreements.

The Group's direct costs primarily consist of staff costs and benefits, amortisation of intangible assets and others. The principal component is staff costs and benefits for staff responsible for making continuous enhancements and maintenance for our commercially launched games. Amortisation of intangible assets represents the amortisation of game intellectual properties for the commercially launched games. Others mainly comprise (i) other tax and surcharges; and (ii) outsourcing services fee for art/graphic design and audio production of sound effects and background music provided by third party service providers.

The Group's revenue increased by approximately 100.1% from approximately RMB80.3 million for the year ended 31 December 2017 to approximately RMB160.7 million for the year ended 31 December 2018. Profit attributable to owners of the Company increased by approximately 107.1% from approximately RMB43.4 million for the year ended 31 December 2017 to approximately RMB89.9 million for the year ended 31 December 2018.



For the years ended 31 December 2017 and 2018, 11 game series developed by the Group have been commercially launched by its licensed operators. The new game series include but are not limited to Number Drop, G-game, Sweeties Fighting (零食大亂鬥), Fish Catching Contest (捕魚大亂鬥), Super Cute Monster (超級逗萌獸), Super Rich (超級大富翁), Age of Star Wars (星戰紀) and Shaky Battle (晃晃大作戰), which further expanded its game portfolio and revenue sources.

The revenue generated for the three games terminated in the year ended 31 December 2018, namely the mobile version of the Endless Battles (無盡爭霸) series, the Legend of Fairies (萌仙記) series and the War of Sulfurons (薩弗隆戰記) series, accounted for approximately 0.2%, 0.5% and 0.3% of the revenue generated for all game series respectively for the year ended 31 December 2018.

The table below sets forth the fourteen series of games which are operating and commercially launched by the Group's licensed operators as of 31 March 2019:

Language version	Game title	Platform	Initial commercial launch date	Expiry date of licensing agreement
<b>1) <i>Kings &amp; Legends (王者召喚) series of games</i></b>				
English	Ancient Summoner/Rise of Mythos (Name changed in June 2014)	Browser	May 2013	December 2019 <sup>(Note 1)</sup>
Japanese	Kings and Legends	Browser	December 2012	December 2019 <sup>(Note 1)</sup>
	ディヴァイン・グリモワール / Divine Grimoire	Browser	September 2012	May 2020 <sup>(Note 1)</sup>
German	Kings and Legends	Browser	July 2013	December 2019 <sup>(Note 1)</sup>
French	Kings and Legends	Browser	December 2013	December 2019 <sup>(Note 1)</sup>
Traditional Chinese	卡卡們的大亂鬥	Browser	June 2012	December 2019
Simplified Chinese	王者召喚	Browser	March 2012	January 2021
<b>2) <i>Hero's Crown (英雄皇冠) series of games</i></b>				
Simplified Chinese	英雄皇冠	Browser	March 2015	March 2020 & September 2019
Traditional Chinese	卡卡們的大亂鬥II：英雄皇冠	Browser	June 2015	June 2019
Simplified Chinese	魔戒外傳	Mobile	April 2016	January 2020
<b>3) <i>Heroines of the Three Kingdoms</i><sup>(Note 2)</sup> (<i>姬戰三國</i>) series of games</b>				
Simplified Chinese	姬戰三國	Browser	January 2015	November 2019
<b>4) <i>Road of Vengeance</i><sup>(Note 2)</sup> (<i>復仇之路</i>) series of games</b>				
Simplified Chinese	復仇之路	Mobile	August 2016	March 2020
<b>5) <i>Number Drop series of games</i></b>				
Simplified Chinese	Number Drop	Mobile	March 2017	February 2020
<b>6) <i>G-game series of games</i></b>				
Simplified Chinese	一起切水果	Mobile	March 2017	February 2020
<b>7) <i>Sweeties Fighting</i><sup>(Note 2)</sup> (<i>零食大亂鬥</i>) series of games</b>				
Simplified Chinese	零食大乱斗	Mobile	May 2017	May 2020

	Language version	Game title	Platform	Initial commercial launch date	Expiry date of licensing agreement
8)	<i>Super Tycoon</i> <sup>(Note 2)</sup> (超級大亨) series of games Simplified Chinese	超级大亨	Mobile	July 2017	June 2020
9)	<i>Forest Gala</i> <sup>(Note 2)</sup> (森林大聯歡) series of games Simplified Chinese	森林大联欢	Mobile	July 2017	July 2020
10)	<i>Fish Catching Contest</i> <sup>(Note 2)</sup> (捕魚大亂鬥) series of games Simplified Chinese	捕鱼大乱斗	Mobile	December 2017	November 2020
11)	<i>Super Cute Monster</i> <sup>(Note 2)</sup> (超級逗萌獸) series of games Simplified Chinese	超级逗萌兽	Mobile	December 2017	December 2020
12)	<i>Super Rich</i> <sup>(Note 2)</sup> (超級大富翁) series of games <sup>(Note)</sup> Simplified Chinese	超级大富翁	Mobile	February 2018	February 2020
13)	<i>Age of Star Wars</i> <sup>(Note 2)</sup> (星戰紀) series of games <sup>(Note)</sup> Simplified Chinese	星战纪	Mobile	June 2018	June 2020
14)	<i>Shaky Battle</i> <sup>(Note 2)</sup> (晃晃大作戰) series of games Simplified Chinese	晃晃大作战	Mobile	July 2018	June 2020

Note:

- (1) Automatically renewed for one year if not terminated beforehand.
- (2) These games series do not have official titles in English. The English titles are translated from their official Chinese titles and are set out for identification purpose only.
- (3) As of the Latest Practicable Date, except for the Super Rich (超級大富翁) and Age of Star Wars (星戰紀) game series, all other 12 games which are developed by the Group and being operated by the Group's licensed operators have obtained the necessary approvals from the NRTA and made filings with the MCT. For details, please refer to the section headed "Recent Development — Approvals and filings for New Online Games" in this announcement.

## KEY FINANCIAL INFORMATION

The audited consolidated financial statements for the years ended 31 December 2016, 2017 and 2018 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited condensed consolidated financial statements for the three months ended 31 March 2019 have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" and reviewed by the Group's auditor in accordance with Hong Kong Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA, respectively.



## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth the Group's audited consolidated statements of profit or loss and other comprehensive income for each of the years ended 31 December 2016, 2017 and 2018 and unaudited consolidated statements of profit or loss and other comprehensive income for the three months ended 31 March 2018 and 2019.

	For the year ended 31 December			For the three months ended 31 March	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Revenue	44,977	80,304	160,700	32,851	52,937
Direct costs	<u>(7,379)</u>	<u>(11,474)</u>	<u>(16,548)</u>	<u>(4,892)</u>	<u>(3,802)</u>
Gross profit	37,598	68,830	144,152	27,959	49,135
Other income	2,565	3,279	2,354	354	756
Game research costs	(635)	(195)	(847)	(300)	(86)
Distribution costs	(768)	(625)	(742)	(206)	(389)
Administrative expenses	(12,828)	(11,693)	(25,369)	(4,021)	(8,328)
Finance costs	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(34)</u>
Operating profit	25,932	59,596	119,548	23,786	41,054
Share of (loss)/profit of investments accounted for using equity accounting	<u>—</u>	<u>—</u>	<u>(615)</u>	<u>(29)</u>	<u>121</u>
<b>Profit before income tax</b>	25,932	59,596	118,933	23,757	41,175
Income tax expense	<u>(3,910)</u>	<u>(16,197)</u>	<u>(29,125)</u>	<u>(5,561)</u>	<u>(9,950)</u>
<b>Profit for the year/period</b>	22,022	43,399	89,808	18,196	31,225

	For the year ended 31 December			For the three months ended	
	2016	2017	2018	31 March	
	RMB'000	RMB'000	RMB'000	2018	2019
			RMB'000	RMB'000	
			(unaudited)	(unaudited)	
Other comprehensive income					
<i>Item that may be reclassified</i>					
<i>subsequently to profit or loss:</i>					
— Exchange differences on translation of foreign operations	2,059	(2,538)	2,050	(1,836)	(737)
<b>Other comprehensive income for the year/period</b>	<u>2,059</u>	<u>(2,538)</u>	<u>2,050</u>	<u>(1,836)</u>	<u>(737)</u>
<b>Total comprehensive income for the year/period</b>	<u>24,081</u>	<u>40,861</u>	<u>91,858</u>	<u>16,360</u>	<u>30,488</u>
<b>Profit attributable to:</b>					
Owners of the Company	22,022	43,399	89,863	18,199	31,257
Non-controlling interests	—	—	(55)	(3)	(32)
	<u>22,022</u>	<u>43,399</u>	<u>89,808</u>	<u>18,196</u>	<u>31,225</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company	24,081	40,861	91,913	16,363	30,520
Non-controlling interests	—	—	(55)	(3)	(32)
	<u>24,081</u>	<u>40,861</u>	<u>91,858</u>	<u>16,360</u>	<u>30,488</u>

## DESCRIPTION OF KEY COMPONENTS OF RESULTS OF OPERATIONS

### Revenue

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

The Group's revenue was derived from: (i) license fees in accordance with the contractual terms agreed with its licensed operators for granting the operating right for specific games within an agreed period and designated territories; and (ii) royalties which are calculated based on a pre-determined percentage sharing of the net sales of credits of its licensed operators which have been exchanged into in-game tokens purchased through platforms designated by its licensed operators in accordance with the terms of the licensing agreements.

### Revenue by game platforms and revenue types

The following table sets forth the revenue derived from license fees and royalties from the Group's games for each of the years ended 31 December 2016, 2017 and 2018 and for the three months ended 31 March 2018 and 2019:

	For the year ended 31 December						For the three months ended 31 March			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	% (unaudited)	RMB'000 (unaudited)	%
<b>Browser Version</b>	26,901	59.8	13,305	16.6	5,784	3.6	1,053	3.2	1,036	2.0
License fees	3,160	7.0	1,211	1.5	—	—	—	—	—	—
Royalties	23,741	52.8	12,094	15.1	5,784	3.6	1,053	3.2	1,036	2.0
<b>Mobile Version</b>	18,076	40.2	66,999	83.4	154,916	96.4	31,798	96.8	51,901	98.0
License fees	1,416	3.1	2,709	3.4	2,017	1.3	574	1.7	360	0.7
Royalties	16,660	37.1	64,290	80.0	152,899	95.1	31,224	95.1	51,541	97.3
<b>Total</b>	<b>44,977</b>	<b>100.0</b>	<b>80,304</b>	<b>100.0</b>	<b>160,700</b>	<b>100.0</b>	<b>32,851</b>	<b>100.0</b>	<b>52,937</b>	<b>100.0</b>

License fees income refer to the prepaid fee from licensed operators in exchange for exclusive operating right to the Group's self-develop games and technological support in certain regions. License fees income is recognised in the period of the contract granting licensed operators the right to distribute the Group's self-develop games.

The income for license fees of the Group's browser games, being Kings & Legends (王者召喚) and Hero's Crown (英雄皇冠) have been fully recognised by 2017. Upon renewal of the relevant license agreements, only royalties fees were recognised after 2017. As a result, no license fees income for browser games was recognised for the year ended 31 December 2018 and for the three months ended 31 March 2018 and 2019.

## ***Business Strategy under Mobile and Browser Games***

The contribution of mobile games to the Group's revenue increased from 40.2% for the year ended 31 December 2016 to 98.0% for the three months ended 31 March 2019. This is mainly due to the growing popularity of smart mobile devices, the Group's continuous investment in the research and development of mobile games and the successful commercial launch of the mobile versions of Hero's Crown (英雄皇冠), Sweeties Fighting (零食大亂鬥), Fish Catching Contest (捕魚大亂鬥), Super Rich (超級大富翁), Age of Star Wars (星戰紀), and Shaky Battle (晃晃大作戰) during the Track Record Period.

As per Frost & Sullivan Report, in recent years, with mobile games becoming more common and certain technological restrictions imposed by Flash on a majority of browser games, many browser game developers restructured their business models and switched to develop mobile games. As per the Frost & Sullivan Report, in the foreseeable future, with limited demographical dividend in mainland China, the entire game market including the mobile game market segment that experienced explosive development in the past few years and browser game segment that showed a downtrend, tend to demonstrate stable growth, which is also owing to the expected maturing game user habits in terms of props purchasing and game recharging, game preference and their perception of game quality. Therefore, browser game developers will pay more attention to improving game quality in order to maintain the existing user base and to further enhance their stickiness to games and their paying willingness.

The Group's overall business strategy is to continue to grow our strengths in research and development to develop exquisite games with higher quality, longer lifespan and innovative game types, upgrade and optimise existing games and invest comprehensive resources in core products such as mobile games which contribute substantial revenue to the Group while continuing to maintain its market share in the browser game market.

In terms of business strategies for browser games, the Group seized the fast-growing opportunities of browser games and launched three browser games, namely Kings & Legends (王者召喚), Hero's Crown (英雄皇冠) and Heroines of Three Kingdoms (姬戰三國). It has been more than six years since the browser versions of Kings & Legends (王者召喚) (the first self-developed game of the Group) and Hero's Crown (英雄皇冠) (the second self-developed game of the Group) were commercially launched in 2012 and 2015 respectively. The Directors are of the view that owing to the Group's persistent effort in attracting user interest, enhancing users' game participation level and game experience as well as updating and enhancing game content, those games resulted in longer lifespan than same types of games in the market and continues to bring income to the Group during the Track Record Period. Therefore, the Directors are of the view that browser games which generally are of higher quality than mobile games still play an important role for game developers.

The Directors consider that the browser game market continues to have user base and by thoroughly exploring user needs, increasing users' loyalty and adopting applicable marketing strategies through cooperation with licensed operators, the Group can maintain stable quantity of users. Browser game market is considered entering the stage which favours the growth of exquisite games. As per Frost & Sullivan Report, with fierce market competition and the popularity of mobile games, new internet technology is expected to be adopted by more developers in developing browser games in foreseeable future, such as browser-based games developed with H5 technology which is an alternative to the traditional Flash technology. The H5 technology is an open-source software available to third parties game developers free of charge, which enabled game developers to develop Html5 games ("H5 game") that refers to a kind of browser-based game which can be operated on platforms such as smartphones, and computers without the need to install further game apps. As H5 games could be operated on various platforms, web game companies are able to advertise and promote their games all over the web as well as other media, without being limited within app marketplaces. With the extensive reach of users covered by H5 games, the Directors consider that the browser game market still has potential for growth and development.

In the long run, the Group will explore into developing mobile games that are adapted from popular browser games to fully utilise the value of the Group's intellectual property. Also, as per Frost & Sullivan Report, mobile games which are adopted from browser games generally have longer lifespans primarily because such mobile games provide more diverse game content and gameplay styles. The Directors believe that such strategies would enable the Group to achieve a continuous development of the Group's business, lower research and development expenses and marketing expenses and improve the Group's profitability.

Building on the Group's experience in the browser game market, the Group will increase its research and development efforts, thoroughly explore users' game preference and needs, develop unique style and content, and develop browser games of higher quality using H5 technology or other new technology in order to maintain its core competitiveness in the research and development of browser games.

### ***Revenue by game series***

During the Track Record Period, the Group's revenue increased by approximately 78.4% from approximately RMB45.0 million for the year ended 31 December 2016 to approximately RMB80.3 million for the year ended 31 December 2017, and further increased by approximately 100.1% from approximately RMB80.3 million for the year ended 31 December 2017 to approximately RMB160.7 million for the year ended 31 December 2018. Also, the Group's revenue increased by approximately 60.8% from approximately RMB32.9 million for the three months ended 31 March 2018 to approximately RMB52.9 million for the three months ended 31 March 2019. The overall increase in revenue was mainly due to the launch of 11 mobile game series during the years ended 31 December 2017 and 2018.

The following table sets forth the revenue derived from the mobile and browser versions of the Group's game series for each of the years ended 31 December 2016, 2017 and 2018 and for the three months ended 31 March 2018 and 2019:

	For the year ended 31 December					For the three months ended 31 March				
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
Kings & Legends (王者召喚)	11,044	24.6	7,079	8.8	3,850	2.4	866	2.6	795	1.5
Hero's Crown (英雄皇冠)	23,650	52.6	16,775	20.9	3,797	2.4	1,318	4.0	246	0.5
Heroines of the Three Kingdoms (姬戰三國)	589	1.3	245	0.3	107	0.1	34	0.1	4	—(Note)
Endless Battles (無盡爭霸)	2,940	6.5	4,101	5.1	357	0.2	327	1.0	—	—
Legend of Fairies (萌仙記)	4,550	10.1	5,874	7.3	828	0.5	436	1.3	—	—
Road of Vengeance (復仇之路)	2,204	4.9	4,558	5.7	3,046	1.9	674	2.1	526	1.0
Number Drop	—	—	4,589	5.7	3,110	1.9	835	2.5	161	0.3
G-game	—	—	4,692	5.8	3,142	2.0	798	2.4	463	0.9
Sweeties Fighting (零食大亂鬥)	—	—	28,093	35.0	51,783	32.2	15,490	47.2	13,384	25.3
War of the Sulfulons (薩弗隆戰記)	—	—	244	0.3	452	0.3	102	0.3	—	—
Super Tycoon (超級大亨)	—	—	129	0.2	287	0.2	66	0.2	69	0.1
Forest Gala (森林大聯歡)	—	—	1,134	1.4	1,414	0.9	597	1.8	246	0.5
Fish Catching Contest (捕魚大亂鬥)	—	—	2,791	3.5	65,796	40.9	10,800	32.9	27,494	51.9
Super Cute Monster (超級逗萌獸)	—	—	—(Note)	—(Note)	1,830	1.1	359	1.1	451	0.9
Super Rich (超級大富翁)	—	—	—	—	792	0.5	149	0.5	203	0.3
Age of Star Wars (星戰紀)	—	—	—	—	4,556	2.8	—	—	1,820	3.4
Shaky Battle (晃晃大作戰)	—	—	—	—	15,553	9.7	—	—	7,075	13.4
<b>Total</b>	<b>44,977</b>	<b>100.0</b>	<b>80,304</b>	<b>100.0</b>	<b>160,700</b>	<b>100.0</b>	<b>32,851</b>	<b>100.0</b>	<b>52,937</b>	<b>100.0</b>

Note: No figures can be shown for these items due to rounding difference.



The decrease in revenue from Hero's Crown from RMB16.8 million for the year ended 31 December 2017 to RMB3.8 million for the year ended 31 December 2018 and from RMB1.3 million for the three months ended 31 March 2018 to RMB0.2 million for the three months ended 31 March 2019 was mainly attributable to the decrease in MPU, as further analysed in the section headed "Average MPU and ARPPU".

The expected lifespan of the Group's games is determined by the management of the Group with reference to the historical experience of the actual useful lives of those assets of a similar nature and functions. Given that the actual economic lives may differ from the estimated useful lives, the Directors conduct periodic reviews to determine the length of time the games are expected to retain their economic benefits with a view to determining whether a change is required to the estimated useful lives of our games. In reviewing the expected lifespans of the Group's games, the Directors mainly take into account of factors such as feedback from game players as received by licensed operators and further room of market expansion.

### **Expected lifespan of the Group's major games**

#### ***Sweeties Fighting (零食大亂鬥)***

Sweeties Fighting is a cartoon-style tower defense game series commercially launched in May 2017. Since its commercial launch, Sweeties Fighting has generated significant income and great market feedback from its game players. The Group will devote more resources to perform maintenance and improving game content in order to further extend its lifespan. Based on the Group's experience in the online games industry and the favourable feedback from its game players, the Sweeties Fighting 2 is expected to be launched in June 2019, the management of the Group is of the view the lifespan is expected to be approximately two and a half years to three years from its commercial launch.

#### ***Fish Catching Contest (捕魚大亂鬥)***

Fish Catching Contest is a magical and fantasy-based hunting game commercially launched in December 2017. Since its commercial launch, Fish Catching Contest has generated significant income and great market feedback from its game players. The Group will devote more resources on maintenance and improving game content in order to further extend its lifespan. Based on the Group's experience in the online games industry and the favourable feedback from its game players, the management of the Group is of the view the lifespan is expected to be approximately three years to four years from its commercial launch.

### ***Shaky Battle (晃晃大作戰)***

Shaky Battle is a Hubei mahjong game commercially launched in July 2018 and tailor made for specified regions in the PRC and the targeted users are the middle and lower reaches of the Yangtze River in the PRC. Based on the Group's experience in the online games industry, the management of the Group is of the view the lifespan is expected to be approximately two to three years from its commercial launch.

As at the Latest Practicable Date, the Group had six mobile game series under research and development, including five new mobile game series and an enhanced and upgraded version of one of the existing mobile game series. Subject to their development progress and market response, the six mobile game series are expected to be launched during the year ending 31 December 2019, with expected lifespan ranging from two to three years. For details, please refer to the section headed "Recent Development Subsequent to the Track Record Period" in this announcement.

For the year ended 31 December 2018 and the three months ended 31 March 2019, over 73% and over 77% of the Group's revenue was derived from two mobile games, namely Fish Catching Contest (捕魚大亂鬥) and Sweeties Fighting (零食大亂鬥) which were commercially launched in December 2017 and May 2017, respectively. The Directors are of the view that the concentration of revenue from two games was due to market acceptance and popularity of these two new games among game players. As per Frost & Sullivan Report, it is not uncommon that only a few games of a game developer, like the Group, would be popular and generated substantial revenue in any financial year. Since the Group's GEM Listing in February 2016, the Group has diversified its revenue mainly from Kings & Legends (王者召喚) and Hero's Crown (英雄皇冠) to the Fish Catching Contest (捕魚大亂鬥) and Sweeties Fighting (零食大亂鬥); and at the same time commercially launching 11 games for the two years ended 31 December 2017 and 2018. In order to further diversify the Group's revenue, six new game series are expected to be commercially launched during the year ending 31 December 2019. For details, please refer to the section headed "Recent Development Subsequent to Track Record Period" in this announcement.

### *Licence fees and royalties by game series*

The following table sets forth the license fees and royalties of the Group's main series of games for each of the years ended 31 December 2016, 2017 and 2018 and for the three months ended 31 March 2018 and 2019:

	For the year ended 31 December			For the three months ended 31 March	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	(unaudited)
Kings & Legends (王者召喚)					
● Licence fees	922	505	—	—	—
● Royalties	10,122	6,574	3,850	866	795
Hero's Crown (英雄皇冠)					
● Licence fees	3,546	2,421	254	199	—
● Royalties	20,104	14,354	3,543	1,119	246
Heroines of the Three Kingdoms (姬戰三國)					
● Licence fees	—	—	—	—	—
● Royalties	589	245	107	34	4
Endless Battles (無盡爭霸)					
● Licence fees	—	—	—	—	—
● Royalties	2,940	4,101	357	327	—
Legend of Fairies (萌仙記)					
● Licence fees	108	142	34	34	—
● Royalties	4,442	5,732	794	402	—
Road of Vengeance (復仇之路)					
● Licence fees	—	—	—	—	—
● Royalties	2,204	4,558	3,046	674	526
Number Drop					
● Licence fees	—	179	236	58	57
● Royalties	—	4,410	2,874	777	104
G-game					
● Licence fees	—	178	236	58	58
● Royalties	—	4,514	2,906	740	405

	For the year ended 31 December			For the three months ended 31 March	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	(unaudited)	
Sweeties Fighting (零食大亂鬥)					
● Licence fees	—	152	236	58	58
● Royalties	—	27,941	51,547	15,432	13,326
War of the Sulfulons (薩弗隆戰記)					
● Licence fees	—	102	369	58	—
● Royalties	—	142	83	44	—
Super Tycoon (超級大亨)					
● Licence fees	—	113	236	58	58
● Royalties	—	16	51	8	11
Forest Gala (森林大聯歡)					
● Licence fees	—	109	98	(9) <sup>(Note)</sup>	35
● Royalties	—	1,025	1,316	606	211
Fish Catching Contest (捕魚大亂鬥)					
● Licence fees	—	19	236	58	58
● Royalties	—	2,772	65,560	10,742	27,436
Super Cute Monster (超級逗萌獸)					
● Licence fees	—	—	—	—	—
● Royalties	—	—	1,830	359	451
Super Rich (超級大富翁)					
● Licence fees	—	—	—	—	—
● Royalties	—	—	792	149	203
Age of Star Wars (星戰紀)					
● Licence fees	—	—	82	—	36
● Royalties	—	—	4,474	—	1,784
Shaky Battle (晃晃大作戰)					
● Licence fees	—	—	—	—	—
● Royalties	—	—	15,553	—	7,075
	<u>44,977</u>	<u>80,304</u>	<u>160,700</u>	<u>32,851</u>	<u>52,937</u>

*Note:* The amount comprised of licence fees income of approximately RMB35,000 recognised for the three months period ended 31 March 2018, less the adjustment of approximately RMB44,000 in relation to revenue previously recognised in the year ended 31 December 2017.

## Revenue by geographical markets

The following table sets forth the revenue from the Group's games based on territories, as determined by type of settlement currency with licensed operators for each of the years ended 31 December 2016, 2017 and 2018 and for the three months ended 31 March 2018 and 2019:

	For the year ended 31 December						For the three months ended 31 March			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	% (unaudited)	RMB'000 (unaudited)	%
The PRC <sup>1</sup>	36,010	80.1	74,730	93.1	159,344	99.2	32,582	99.2	52,659	99.5
The PRC <sup>2</sup>	1,962	4.3	1,648	2.1	—	—	—	—	—	—
The PRC <sup>3</sup>	3	0.0	—	—	—	—	—	—	—	—
North America <sup>1,2</sup>	2,235	5.0	1,944	2.4	—	—	—	—	—	—
Asia Pacific (including Japan and Taiwan) <sup>2</sup>	3,293	7.3	1,064	1.3	662	0.4	196	0.6	123	0.2
Europe <sup>3</sup>	1,474	3.3	918	1.1	694	0.4	73	0.2	155	0.3
<b>Total</b>	<b>44,977</b>	<b>100.0</b>	<b>80,304</b>	<b>100.0</b>	<b>160,700</b>	<b>100.0</b>	<b>32,851</b>	<b>100.0</b>	<b>52,937</b>	<b>100.0</b>

Notes:

- 1 Settled in RMB
- 2 Settled in USD
- 3 Settled in EUR

During the year ended 31 December 2018 and three months ended 31 March 2019, approximately 99.2% and 99.5% of the Group's revenue was derived from the PRC, respectively, and this trend was consistent with previous years.

### Average MPU and ARPPU

The following table sets forth the average MPU and ARPPU of the Group's main series of games for each of the years ended 2016, 2017 and 2018 and the three months ended 31 March 2018 and 2019.

	For the year ended 31 December						For the three months ended 31 March			
	2016		2017		2018		2018		2019	
	MPU	ARPPU (RMB)	MPU	ARPPU (RMB)	MPU	ARPPU (RMB)	MPU	ARPPU (RMB)	MPU	ARPPU (RMB)
Kings & Legends (王者召喚)	3,912	215	2,076	241	2,227	143	2,243	139	2,033	126
Hero's Crown (英雄皇冠)	6,488	309	7,452	158	2,110	145	2,166	173	634	130
Heroines of the Three Kingdoms (姬戰三國)	162	340	424	47	86	228	29	394	44	33
Endless Battles (無盡爭霸)	27,679	9	25,913	13	9,312	10	11,357	10	—	—
Legend of Fairies (萌仙記)	11,991	38	8,514	58	3,411	34	3,810	35	—	—
Road of Vengeance (復仇之路)	15,608	31	3,881	108	3,592	88	1,948	116	2,354	75
Number Drop	—	—	5,148	70	7,920	29	7,597	34	1,462	24
G-game	—	—	8,116	52	9,089	28	9,040	27	4,475	30
Sweeties Fighting (零食大亂鬥)	—	—	39,632	90	32,918	130	40,593	127	35,751	124
War of the Sulfulons (薩弗隆戰記)	—	—	6,282	4	7,326	2	8,835	2	—	—
Super Tycoon (超級大亨)	—	—	441	7	355	11	213	12	336	11
Forest Gala (森林大聯歡)	—	—	7,378	23	3,204	35	6,324	32	1,627	44
Fish Catching Contest (捕魚大亂鬥)	—	—	68,801	40	59,241	94	67,512	53	75,922	120
Super Cute Monster (超級逗萌獸)	—	—	1	30	5,105	29	4,009	26	4,593	33
Super Rich (超級大富翁)	—	—	—	—	2,269	36	2,736	18	1,285	53
Age of Star Wars (星戰紀)	—	—	—	—	13,922	45	—	—	10,915	54
Shaky Battle (晃晃大作戰)	—	—	—	—	4,417	590	—	—	4,417	535



For Hero's Crown (英雄皇冠), the decrease in MPU from 7,452 for the year ended 31 December 2017 to 2,110 for the year ended 31 December 2018 and from 2,166 for the three months ended 31 March 2018 to 634 for the three months ended 31 March 2019 was mainly as a result of the loss of some of game players since the commercialisation of the game in 2016, as users normally gradually switch to play other new games in the market. Thus, MPU of the game is expected to decline gradually over the years. Meanwhile, the decrease in ARPPU for Hero's Crown from RMB158.0 for the year ended 31 December 2017 to RMB145.0 for the year ended 31 December 2018 and from RMB173.0 for the three months ended 31 March 2018 to RMB130.0 for the three months ended 31 March 2019 was considered within a normal range.

For Sweeties Fighting (零食大亂鬥), the decrease in MPU from 39,632 for the year ended 31 December 2017 to 32,918 for the year ended 31 December 2018 and the decrease in MPU from 40,593 for the three months ended 31 March 2018 to 35,751 for the three months ended 31 March 2019 were due to the gradual decline of the game series since its commercialisation in May 2017, as game players normally gradually switch to play other new games in the market. Thus, MPU of the game declined gradually over the periods.

For Fish Catching Contest (捕魚大亂鬥), despite there was a decrease in MPU from 68,801 for the year ended 31 December 2017 to 59,241 for the year ended 31 December 2018, there was an increase in MPU from 67,512 for the three months ended 31 March 2018 to 75,922 for the three months ended 31 March 2019. The overall growth trend in MPU of the game series since its commercialisation in December 2017 to the three months ended 31 March 2019 was mainly attributable to its high level of market popularity achieved.

## Direct costs

The Group's direct costs primarily consisted of staff costs and benefits, amortisation of intangible assets and others. The following table sets forth a breakdown of the Group's direct costs for the years/periods indicated:

	2016		For the year ended 31 December				For the three months ended 31 March			
	RMB'000	%	2017	%	2018	%	2018	%	2019	%
			RMB'000		RMB'000		RMB'000		RMB'000	
							(unaudited)		(unaudited)	
Staff costs and benefits	1,751	23.7	4,699	41.0	9,288	56.1	2,947	60.2	2,322	61.1
Amortisation of intangible assets	5,278	71.5	6,267	54.6	6,153	37.2	1,717	35.1	1,116	29.3
Others	350	4.8	508	4.4	1,107	6.7	228	4.7	365	9.6
Total	<u>7,379</u>	<u>100.0</u>	<u>11,474</u>	<u>100.0</u>	<u>16,548</u>	<u>100.0</u>	<u>4,892</u>	<u>100.0</u>	<u>3,803</u>	<u>100.0</u>

The Group's direct costs mainly consisted of (i) staff costs and benefits; (ii) amortisation of intangible assets; and (iii) others.

The Group's staff costs for technical staff are either (i) charged to direct costs; or (ii) capitalised as game research and development costs, based on the manpower allocation incurred during the period. For direct costs, staff costs and benefits represented salaries of allocated technical staff who are responsible for making continuous enhancements and maintenance for our commercially launched games. For game research and development costs, please refer to the section headed "Game Research and Development Costs" in this announcement for details.

The Group's staff costs and benefits charged to direct costs amounted to approximately RMB1.8 million, RMB4.7 million, RMB9.3 million, RMB2.9 million and RMB2.3 million, for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2018 and 2019, respectively. The Group's staffing strategy varies based on the game operation and the stage of update of new commercial games. With the commercialisation of the game, staff allocation will be arranged based on the popularity of game series. If the revenue to be generated from a particular game is expected to be average, only a few staff will be retained for continuous maintenance. If the revenue to be generated from a particular game is expected to be significant, the Group will retain or even further expand the team of staff in order to continuously upgrade the game content and the way it is played.

The increase in staff costs and benefits from approximately RMB1.8 million for the year ended 31 December 2016 to RMB4.7 million for the year ended 31 December 2017 was primarily due to (i) the commercial launch of eight new mobile games by the Group for the year ended 31 December 2017, which additional manpower was required for the updates and maintenance of the game and provision of assistance to the licensed operators for commercial operation of the games so as to ensure positive market responses, resulting in increase in salary and benefits; (ii) increase in staff allocation for enhancing and maintaining the Group's popular game series, mainly for Sweeties Fighting (零食大亂鬥) which was launched in mid of the year ended 31 December 2017; and (iii) increase in number of technical staff and level of staff salaries and benefits during the year ended 31 December 2017.

The increase in staff costs and benefits from approximately RMB4.7 million for the year ended 31 December 2017 to RMB9.3 million for the year ended 31 December 2018 was primarily due to (i) an increase in number of game series with a total of three mobile game series commercially launched by the Group, additional manpower was required for the updates and maintenance of the game and provision of assistance to the licensed operators for commercial operation of the games so as to ensure positive market responses, resulting in increase in salary and benefits; (ii) increase in staff allocation for enhancing and maintaining the Group's popular game series being launched throughout

mid of 2017 to 2018, such as Fish Catching Contest (捕魚大亂鬥), Sweeties Fighting (零食大亂鬥) and Age of Star Wars (星戰紀); and (iii) increase in level of staff salaries and benefits during the year ended 31 December 2018.

The decrease in staff costs and benefits from approximately RMB2.9 million for the three months ended 31 March 2018 to RMB2.3 million for the three months ended 31 March 2019 was primarily due to the absence of commercial launch of new mobile games by the Group for the three months ended 31 March 2019, as compared to one game series was commercially launched during the three months ended 31 March 2018, which additional manpower was required for the updates and maintenance of the game and provision of assistance to the licensed operators for commercial operation of the games in the same period.

Amortisation of intangible assets represented the amortisation of game intellectual properties for the commercially launched games and amounted to approximately RMB5.3 million, RMB6.3 million, RMB6.2 million, RMB1.7 million and RMB1.1 million, for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2018 and 2019, respectively. The increase in amortisation of intangible assets for the year ended 31 December 2017 was mainly attributable to the commercial launch of the Group's eight new games as compared to that of three new games in 2016. For the year ended 31 December 2018, amortisation of intangible assets remained relatively stable as compared to the year ended 31 December 2017. The decrease in amortisation of intangible assets for the three months ended 31 March 2019 was mainly attributable to the decrease in number of commercially launched games subject to amortisation from 14 for the three months ended 31 March 2018 to 10 for the three months ended 31 March 2019 as a result of the net effect of (i) intellectual properties of 4 game series were fully amortised over the period; and (ii) the Group's did not launch any new games during the period.

Others mainly comprised (i) other tax and surcharges; and (ii) outsourcing services fee for art/graphic design and audio production of sound effects and background music provided by third party service providers. In general, the increase in other tax and surcharges over the three years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2018 and 2019 was in line with the significant increase in revenue.

### **Gross profit and gross profit margin**

The Group's gross profit was approximately RMB37.6 million, RMB68.8 million, RMB144.2 million, RMB28.0 million and RMB49.1 million for the years ended 31 December 2016, 2017 and 2018 and three months ended 31 March 2018 and 2019, respectively. The Group's gross profit margin was approximately 83.6%, 85.7%, 89.7%, 85.1% and 92.8% for the years ended 31 December 2016, 2017 and 2018 and three months ended 31 March 2018 and 2019, respectively. The overall increase in gross profit and gross profit margin was mainly due to the increase in revenue generated from the newly commercially launched games during the three years ended 31 December 2016, 2017 and 2018.

## **Other income**

The Group's other income mainly consisted of (i) interest income from short-term bank deposits; and (ii) government grants from relevant government authority in connection with the Group's self-developed game. For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2018 and 2019, other income was approximately RMB2.6 million, RMB3.3 million, RMB2.4 million, RMB0.4 million and RMB0.8 million respectively.

## **Game research and development costs**

Game research and development costs primarily comprised (i) salaries for technical staff engaged in game development and upgrades; and (ii) fees associated with outsourcing production of non-technical elements of game design and development to third party service providers, such as art/graphic design and audio production of sound effects and background music. The Group's games development process typically involves several critical stages from game inception and evaluation, game development and programming to commercialisation. In the game inception and evaluation stage, as programming has not yet been commenced and such planning stage could be classified as the research stage in accordance with the applicable accounting standards, costs incurred in game inception and evaluation stage are expensed and recognised as game research costs in the consolidated statement of profit or loss and other comprehensive income. In the game development and programming stage, development and programming work are commenced, including developing the program source code for our games, graphic design, audio production and character setting. Costs incurred in this stage would be classified as those incurred in the development stage in accordance with the applicable accounting standards and hence recognised as development costs as part of the intangible assets in the consolidated statement of financial position.

The following table sets forth the breakdown of the Group's game research and development costs incurred for the years/periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	(unaudited)	
<b>Game research costs as recognised in consolidated statements of profit or loss and other comprehensive income:</b>					
Super Tycoon (超級大亨)	—	111	—	—	—
Super Beaten Zombie (超級打僵屍) (tentative)	—	84	—	—	—
Number Drop	193	—	—	—	—
G-game	63	—	—	—	—
Sweeties Fighting (零食大亂鬥)	188	—	—	—	—
War of the Sulfulons (薩弗隆戰記)	191	—	—	—	—
Age of Star Wars (星戰紀)	—	—	154	112	—
Shaky Battle (晃晃大作戰)	—	—	112	45	—
Royal Tycoon (皇家大亨) (tentative name)	—	—	219	143	—
Royal Fish Catching (皇家捕魚) (tentative name)	—	—	132	—	—
Sweeties Fighting 2 (零食大亂鬥 2) (tentative name)	—	—	221	—	—
Super Diglett Fighting (超級地鼠大亂鬥) (tentative name)	—	—	9	—	—
Super Bouncy (超級彈彈彈) (tentative name)	—	—	—	—	17
Jungle Treasure (叢林秘寶) (tentative name)	—	—	—	—	69
Subtotal	635	195	847	300	86

	For the year ended 31 December			For the three months ended 31 March	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	(unaudited)
<b>Game development costs as recognised in consolidated statements of financial position:</b>					
Hero's Crown (英雄皇冠)	58	—	—	—	—
Endless Battles (無盡爭霸)	191	—	—	—	—
Legend of Fairies (萌仙記)	241	—	—	—	—
Road of Vengeance (復仇之路)	1,241	—	—	—	—
Number Drop	146	215	—	—	—
G-game	153	187	—	—	—
Sweeties Fighting (零食大亂鬥)	718	282	—	—	—
War of the Sulfulons (薩弗隆戰記)	617	954	—	—	—
Super Tycoon (超級大亨)	—	512	—	—	—
Forest Gala (森林大聯歡)	—	705	—	—	—
Fish Catching Contest (捕魚大亂鬥)	—	931	—	—	—
Super Cute Monster (超級逗萌獸)	—	1,650	—	—	—
Super Rich (超級大富翁)	—	1,248	436	436	—
Age of Star Wars (星戰紀)	—	—	1,328	592	—
Shaky Battle (晃晃大作戰)	—	—	432	—	—
Royal Tycoon (皇家大亨) (tentative name)	—	—	3,134	907	573
Royal Fish Catching (皇家捕魚) (tentative name)	—	—	1,100	—	715
Sweeties Fighting (零食大亂鬥 2) (tentative name)	—	—	—	—	947
Super Diglett Fighting (超級地鼠 大亂鬥) (tentative name)	—	—	149	—	595
Super Bouncy (超級彈彈彈) (tentative name)	—	—	—	—	258
Jungle Treasure (叢林秘寶) (tentative name)	—	—	—	—	120
Subtotal	<u>3,365</u>	<u>6,684</u>	<u>6,579</u>	<u>1,935</u>	<u>3,208</u>
Total game research and development costs	<u>4,000</u>	<u>6,879</u>	<u>7,426</u>	<u>2,235</u>	<u>3,294</u>



For the years ended 31 December 2016, 2017 and 2018 and three months ended 31 March 2018 and 2019, overall research and development costs amounted to approximately RMB4.0 million, RMB6.9 million, RMB7.4 million, RMB2.2 million and RMB3.3 million, respectively, in which game research costs of approximately RMB0.6 million, RMB0.2 million, RMB0.8 million, RMB0.3 million and RMB0.1 million were recognised in the consolidated statements of profit or loss and other comprehensive income, respectively. The remaining balance of game development costs amounted to RMB3.4 million, RMB6.7 million, RMB6.6 million, RMB1.9 million and RMB3.2 million were capitalised to the Group's development costs under intangible assets for the years ended 31 December 2016, 2017 and 2018 and three months ended 31 March 2018 and 2019 respectively.

For the year ended 31 December 2017, the overall research and development costs increased by approximately RMB2.9 million, or 72.5%, as compared to RMB4.0 million for the year ended 31 December 2016. The increase was mainly attributable to the increase of RMB3.3 million in development costs incurred which was partially offset by the decrease of RMB0.4 million in game research costs, as compared to the year ended 31 December 2016. The increase in development cost incurred for the year ended 31 December 2017 was mainly attributable to increase in number of technical staff which additional manpower and resources were deployed for the development stage of the mobile version of the Super Cute Monster (超級逗萌獸) and Super Rich (超級大富翁) series of games, which were in relatively large scale and accounted for RMB1.7 million, and RMB1.2 million, respectively, for the year ended 31 December 2017. The increase in development costs incurred was partially offset by the decrease in the game research costs by approximately RMB0.4 million, which was mainly attributable to the lower complexity of the Group's new mobile games which comprised Forest Gala (森林大聯歡), Fish Catching Contest (捕魚大亂鬥), Super Cute Monster (超級逗萌獸) and Super Rich (超級大富翁), less manpower and resources were deployed for the mobile games which entered into the game inception and evaluation stage for the year ended 31 December 2017 as compared to the year ended 31 December 2016.

For the year ended 31 December 2018, the overall research and development costs increased by approximately RMB0.5 million, or 7.2%, as compared to RMB6.9 million for the year ended 31 December 2017. The increase was mainly attributable to the increase of RMB0.6 million in game research costs, as compared to the year ended 31 December 2017, offset by the decrease of game development costs of RMB0.1 million. The increase in game research costs was mainly attributable to the cost incurred for the research stages for the six new games, which comprised Age of Star Wars (星戰紀), Shaky Battle (晃晃大作戰), Royal Tycoon (皇家大亨) (tentative name), Royal Fish Catching (皇家捕魚) (tentative name), Sweeties Fighting 2 (零食大亂鬥 2) (tentative name) and the Super Diglett Fighting (超級地鼠大亂鬥) (tentative name) series of games. As a result of the increase in the number of new games commencing the research stages with relatively larger scale and higher complexity, more manpower and resources were deployed for the new series of games, leading to the increase in research costs.

For the three months ended 31 March 2019, the overall research and development costs increased by approximately RMB1.1 million, or 50.0%, as compared to RMB2.2 million, for the three months ended 31 March 2018. The increase was mainly attributable to the increase of RMB1.3 million in development costs incurred which was partially offset by the decrease of RMB0.2 million in game research costs, as compared to the three months ended 31 March 2018. The increase in development cost was mainly attributable to the increase in number of game series under game development and programming stage from three to six, which additional manpower and resources were deployed. The increase in development costs incurred was partially offset by the decrease in the game research costs by approximately RMB0.2 million, which was mainly attributable to the decrease in number of game series entered into the game inception and evaluation stage during the period. Out of the six games under research and development for the three months ended 31 March 2019, research stages of four game series, namely Royal Tycoon (皇家大亨) (tentative name), Royal Fish Catching (皇家捕魚) (tentative name), Sweeties Fighting (零食大亂鬥 2) (tentative name) and Super Diglett Fighting (超級地鼠大亂鬥) (tentative name) had been commenced and completed during the year ended 31 December 2018. As a result of the decrease in the number of new games commencing the research stages, less manpower and resources were deployed for the mobile games in game inception and evaluation stage for the three months ended 31 March 2019 as compared to the three months ended 31 March 2018.

For further information on our game design and development costs, please refer to the sub-sections headed “Description of key items on statement of financial position — Intangible Assets” in this announcement.

## Administrative expenses

The Group's administrative expenses primarily comprised salaries and employee benefits expenses, operating lease rental expenses, legal and professional fees, listing expenses, depreciation of property, plant and equipment and others. The following table sets forth a breakdown of the Group's administrative expenses for the years/periods indicated:

	For the year ended 31 December					For the three months ended 31 March				
	2016		2017		2018	2018		2019		
	RMB'000	%	RMB'000	%		RMB'000	%	RMB'000	%	RMB'000
							(unaudited)	(unaudited)		
Auditors' remuneration	416	3.2	444	3.8	558	2.2	—	—	—	—
Salaries and employee benefits expenses	3,255	25.4	5,431	46.5	7,028	27.7	1,912	47.5	2,648	31.8
Operating lease rentals in respect of land and buildings	1,654	12.9	1,897	16.2	2,655	10.5	543	13.5	—	—
Operating lease rentals in respect of servers	294	2.3	297	2.5	289	1.1	78	2.0	20	0.2
Legal and professional fees	1,339	10.4	630	5.4	5,561	21.9	132	3.3	2,696	32.4
Listing expenses	3,818	29.8	—	—	—	—	—	—	—	—
Depreciation of property, plant and equipment	601	4.7	769	6.6	1,025	4.1	263	6.5	197	2.4
Depreciation of right-of-use assets	—	—	—	—	—	—	—	—	638	7.7
Exchange difference	—	—	—	—	2,028	8.0	168	4.2	—	—
Others	1,451	11.3	2,225	19.0	6,225	24.5	925	23.0	2,129	25.5
<b>Total</b>	<b>12,828</b>	<b>100.0</b>	<b>11,693</b>	<b>100.0</b>	<b>25,369</b>	<b>100.0</b>	<b>4,021</b>	<b>100.0</b>	<b>8,328</b>	<b>100.0</b>

The Group's administrative expenses decreased by approximately RMB1.1 million or 8.6% from approximately RMB12.8 million for the year ended 31 December 2016 to approximately RMB11.7 million for the year ended 31 December 2017. If the non-recurring listing expenses for the year ended 31 December 2016 were excluded, the Group's administrative expenses amounted to approximately RMB9.0 million and RMB11.7 million for the years ended 31 December 2016 and 2017, respectively, representing an increase of approximately RMB2.7 million or by 30.0%. The increase was mainly attributable to the increase in salaries and employee benefits expenses, as well as rentals for the Group's operating premises.

The Group's administrative expenses increased by approximately RMB13.7 million or 117.1% from approximately RMB11.7 million for the year ended 31 December 2017 to approximately RMB25.4 million for the year ended 31 December 2018. The increase was mainly attributable to (i) the increase in legal and professional fees by approximately RMB4.9 million which was mainly driven by the professional fees incurred in relation to the Group's application for a transfer of listing from GEM to the Main Board; (ii) the increase in salaries and employee benefits expenses by approximately RMB1.6 million which was mainly attributable to the increase in provision for bonus; and (iii) the exchange loss by approximately RMB2.0 million in relation to the final dividend paid for the year ended 31 December 2017 on 22 June 2018.

The Group's administrative expenses increased by approximately RMB4.3 million or 107.5% from approximately RMB4.0 million for the three months ended 31 March 2018 to approximately RMB8.3 million for the three months ended 31 March 2019. If the legal and professional fees incurred in relation to the Group's proposed application for the Transfer of Listing were excluded, the Group's administrative expenses for the three months ended 31 March 2019 amounted to approximately RMB5.9 million, representing an increase of approximately 47.5% as compared to approximately RMB4.0 million for the three months ended 31 March 2018. The increase in the Group's administrative expenses was mainly attributable to the increase in salaries and employee benefits of the Group's administrative staff and increase in others.

#### Income tax expense

	For the year ended 31 December			For the three months ended 31 March	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Current year — PRC Enterprise					
Income Tax (“PRC EIT”)					
— Tax for the year/period	3,901	7,127	19,918	3,861	6,850
— Under provision in respect of prior years	9	76	307	—	—
— Dividends withholding tax	—	4,994	4,000	—	—
	3,910	12,197	24,225	3,861	6,850
Deferred tax	—	4,000	4,900	1,700	3,100
	<u>3,910</u>	<u>16,197</u>	<u>29,125</u>	<u>5,561</u>	<u>9,950</u>

No Hong Kong profits tax was provided in the consolidated financial statements as the Group does not have estimated assessable profit derived from or arising in Hong Kong during the years ended 31 December 2016, 2017 and 2018 and for the three months ended 31 March 2018 and 2019. Provision for PRC EIT was calculated at the statutory rate of 25% in accordance with the relevant income tax law in the PRC.

On 29 September 2013, Shenzhen Fire Element was qualified as an enterprise of software and integrated circuit industries (軟件產業和集成電路產業) in the PRC and was exempted from PRC 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 was exempted from PRC EIT for the years ended 31 December 2013 and 2014. For the years ended 31 December 2015 to 2017, Shenzhen Fire Element enjoyed a reduced PRC EIT rate of 12.5% as a 50% reduction on the statutory tax rate. The certification of software enterprise had been cancelled by the State Council of the PRC on 24 February 2015, but the aforementioned PRC EIT preferential treatment related to certified software enterprise was still valid in 2017. Shenzhen Fire Element was qualified as a “Hi-Tech Enterprise” in 2018. Pursuant to the PRC EIT Law, it is subject to a preferential rate of 15% for the year ended 31 December 2018 and three months ended 31 March 2019.

Shenzhen Fire Element Network Science and Technology Company Limited (深圳市火元素網絡科技有限公司) (“**Shenzhen Fire Element Network Science and Technology**”), a new indirect wholly-owned subsidiary set up in the PRC during the year ended 31 December 2018, was subject to statutory tax rate of 25%. During the three months ended 31 March 2019, Shenzhen Fire Element Network Science and Technology was qualified as small size low-profit enterprise (小型微利企業) in the PRC and hence entitled to 75% reduction on the net assessable profits followed by a preferential corporate tax rate of 20%. Therefore, assessable profit of Shenzhen Fire Element Network Science and Technology was subject to an effective tax rate of 5% and enjoyed tax reduction of approximately RMB191,000 during the three months ended 31 March 2019.

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.

In early 2018, the Group invested in a subsidiary incorporated in Thailand with limited liability, namely Firerock Co.. During the year ended 31 December 2018, since Firerock Co. was loss making, it was not subject to any corporate income tax. Under Thai Law, for an entity generating net profit of more than THB3.0 million, it is subject to corporate income tax rate of 20%. For an entity generating net profit more than THB0.3 million but less than THB3.0 million, it is subject to corporate income tax rate of 15%. If assessable profit is less than THB0.3 million, the entity is not subject to corporate income tax.

The Group's effective tax rate, calculated as income tax for the corresponding year divided by the Group's profit before income tax for the year, was approximately 15.1%, 27.2%, 24.5%, 23.4% and 24.2% for the years ended 31 December 2016, 2017 and 2018 and three months ended 31 March 2018 and 2019, respectively.

For the year ended 31 December 2016, the relatively low effective tax rate of 15.1% was primarily attributable to the listing expenses of approximately RMB3.8 million for the year, which was non-deductible for tax purposes. As a result of decrease in such expenses for the year ended 31 December 2016, it led to the decrease in effective tax rate to approximately 13.1%.

For the year ended 31 December 2017, the Group's effective tax rate increased to approximately 27.2%, which was mainly attributable to the (i) PRC EIT of RMB5.0 million paid in relation to dividend of RMB49.9 million declared and paid during the year for Shenzhen Fire Element; and (ii) provision of withholding tax for dividend of RMB4.0 million in relation to distributable profit of approximately RMB40.0 million of Shenzhen Fire Element. If the taxation in relation to dividends was excluded, the Group's effective tax rates for the year would be approximately 12.1%.

For the year ended 31 December 2018, the Group's effective tax rate decreased to approximately 24.5%, which was mainly attributable to (i) PRC EIT of RMB4.0 million paid in relation to dividend of RMB40.0 million declared during the year ended 31 December 2017 and paid during the year for Shenzhen Fire Element; and (ii) provision of deferred tax of approximately RMB4.9 million in relation to withholding tax for the distributable profit of approximately RMB89.0 million from Shenzhen Fire Element, which the amount was increased as compared to corresponding amount provided for the year ended 31 December 2017. If the taxation in relation to dividends was excluded, the Group's effective tax rate for the year ended 31 December 2018 would be approximately 17.0%. The increase during the year ended 31 December 2018 was primarily due to the increase in non-deductible expenses incurred, which was primarily due to the increase in non-deductible legal and professional fees incurred in relation to the Group's proposed application for the Transfer of Listing.

For the three months ended 31 March 2018 and 2019, the Group's effective tax rates were to approximately 23.4% and 24.2%, respectively. For the three months ended 31 March 2018, the relatively high effective tax rate was mainly attributable to the provision of deferred tax of RMB1.7 million in relation to withholding tax for the distributable profit of approximately RMB16.7 million from Shenzhen Fire Element. For the three months ended 31 March 2019, the increase in effective tax rate was mainly attributable to the provision of deferred tax of approximately RMB3.1 million in relation to withholding tax for the distributable profit of approximately RMB30.7 million from Shenzhen Fire Element, which the amount was increased as compared to corresponding amount provided for the three months ended 31 March 2018. If the taxation in relation to dividends was excluded, the Group's effective tax rates for the three months ended 31 March 2018 and 2019 would be approximately 16.3% and 16.6%, respectively.



## Top Five Licensed Operators

During the year ended 31 December 2016, the Group's five largest licensed operators accounted for approximately 78.7% of the Group's revenue.

Rank	Name of licensed operator	Background of the operator	Amount of revenue (RMB million)	Percentage of the Group's total revenue for the relevant year
1	Shenzhen Thousands Wisdom Interactive Network Hi-tech Company Limited* (深圳市千智互動網絡科技有限公司) ("Shenzhen Thousands Wisdom")	Incorporated in the PRC	14.7	32.7%
2	Shaanxi Jueding Renfeng Network Hi-tech Company Limited* (陝西絕頂人峰網絡科技有限公司)	Incorporated in the PRC	10.5	23.3%
3	Shanghai Aojie Culture and Communications Co., Ltd.* (上海傲介文化傳播有限公司) ("Shanghai Aojie")	Incorporated in the PRC	4.8	10.7%
4	Shaanxi Jiazhiyi Network Hi-tech Company Limited* (陝西佳之易網絡科技有限公司) ("Shaanxi Jiazhiyi")	Incorporated in the PRC	2.8	6.2%
5	Vector Inc.	Listed on JASDAQ and incorporated in Japan	2.6	5.8%



During the year ended 31 December 2017, the Group's five largest licensed operators accounted for approximately 90.4% of the Group's revenue.

<b>Rank</b>	<b>Name of licensed operator</b>	<b>Background of the operator</b>	<b>Amount of revenue (RMB million)</b>	<b>Percentage of the Group's total revenue for the relevant year</b>
1	Shenzhen Viking Network Hi-tech Company Limited* (深圳維京人網絡科技有限公司) ("Shenzhen Viking")	Incorporated in the PRC	32.1	40.0%
2	Shenzhen Thousands Wisdom	Incorporated in the PRC	29.4	36.6%
3	Shaanxi Jiazhiyi	Incorporated in the PRC	5.0	6.2%
4	Changyou.com Limited (北京暢遊時代數碼技術有限公司) ("Changyou")	Group member of Licensed Operator A and incorporated in the PRC	3.2	4.0%
5	Shanghai Aojie	Incorporated in the PRC	2.9	3.6%

During the year ended 31 December 2018, the Group's five largest licensed operators accounted for approximately 97.5% of the Group's revenue.

<b>Rank</b>	<b>Name of licensed operator</b>	<b>Background of the operator</b>	<b>Amount of revenue (RMB million)</b>	<b>Percentage of the Group's total revenue for the relevant year</b>
1	Shenzhen Viking	Incorporated in the PRC	126.5	78.7%
2	Shenzhen Jingtuo Jiucheng Network Hi-tech Company Limited* (深圳鯨拓九城網絡科技有限公司) ("Shenzhen Jingtuo")	Incorporated in the PRC	15.6	9.7%
3	Shenzhen Thousands Wisdom	Incorporated in the PRC	11.3	7.0%
4	Changyou	Group member of licensed Operator A and incorporated in the PRC	1.7	1.1%
5	Shaanxi Jiazhiyi	Incorporated in the PRC	1.6	1.0%

During the three months ended 31 March 2019, the Group's five largest licensed operators accounted for approximately 99.1% of the Group's revenue.

<b>Rank</b>	<b>Name of licensed operator</b>	<b>Background of the operator</b>	<b>Amount of revenue (RMB million)</b>	<b>Percentage of the Group's total revenue for the relevant period</b>
1	Shenzhen Viking	Incorporated in the PRC	43.7	82.5%
2	Shenzhen Jingtuo	Incorporated in the PRC	7.1	13.4%
3	Shenzhen Thousands Wisdom	Incorporated in the PRC	1.2	2.2%
4	Changyou	Group member of licensed Operator A and incorporated in the PRC	0.3	0.5%
5	Xian Yidu Network Culture and Communications Co., Ltd.* (西安易都網絡文化傳播有限公司)	Incorporated in the PRC	0.3	0.5%

For the years ended 31 December 2017 and 2018 and for the three months ended 31 March 2019, the Group's top licensed operator Shenzhen Viking accounted for approximately 40.0%, 78.7% and 82.5% of the Group's total revenue respectively. Such increase was primarily attributable to the commercial launch of the Sweeties Fighting (零食大亂鬥) and Fish Catching Contest (捕魚大亂鬥) game series in May 2017 and December 2017 respectively, which are operated by Shenzhen Viking on an exclusive basis.

According to Frost & Sullivan Report, it is not uncommon for game developers to grant exclusive operating rights to a few game operators in the PRC mobile game market due to economies of scale as those game operators usually have established stable and long-term relationship with various distribution channels and they have developed better understanding of how to promote games in order to maximise market influence and to minimize promotion cost. Also, licensed operators tend to be equipped with professional teams to take charge of game promotion and have established stable relationship with various distribution channels, which enables them to adjust the market promotion strategy quickly based on market and user feedbacks.

As per Frost & Sullivan Report, the risk of licensed operators concentration is considered low for game developers because (i) licensed operators are expected to have the capability of operating games effectively and efficiently based on developers' past cooperation with them; (ii) getting familiar with licensed operators which facilitates efficient communication flow between the game developers and the licensed operators, which is considered beneficial for market promotion and publishing of games; and (iii) it might be

costly in terms of both time and money for game developers to seek new operators and to establish relationship with them, which is not considered cost effective for game developers.

The Directors consider that among the Group's eight and three new games being launched during the two years ended 31 December 2017 and 2018, respectively, the significant revenue contribution from Fish Catching Contest (捕魚大亂鬥) and Sweeties Fighting (零食大亂鬥) game series were as a result of the market popularity for those games in the market of cartoon-style tower defense game and magical and fantasy-based hunting game during those years. As per the Directors, the popularity and significance in revenue contribution of respective games (with the corresponding licensed operator) would not be estimated precisely in advance. As a result, game and licensed operator concentrations cannot be predicted or controlled by the Group. According to the Frost & Sullivan Report, online games developer with similar size as the Group would generally develop products tailoring for different game segments, while depending on the feedback from licensed operators, game developers would focus on expanding and upgrading those popular games with new features to maintain existing players and to attract new players. Therefore, the Directors expect these games to continue to contribute a significant portion of the Group's revenue in the year ending 31 December 2019.

The Group is also actively trying different ways to enhance user experience and offer maximum value to game players to reduce its reliance on a limited number of games and licensed operators. As at 31 March 2019, the Group has 14 game series which are commercially launched by 12 licensed operators, in which Shaky Battle (晃晃大作戰) was launched in July 2018 through Shenzhen Jingtuo, which contributed revenue of approximately RMB15.6 million, or 9.7%, for the year ended 31 December 2018 and revenue of approximately RMB7.1 million, or 13.4% for the three months ended 31 March 2019.

In view of the above reasons, the Directors are of the view and the Sole Sponsor concurs that the Group's business is sustainable.

## **PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS**

### **Three months ended 31 March 2019 compared with the three months ended 31 March 2018**

#### ***Revenue***

The Group's revenue increased by approximately 60.8% from approximately RMB32.9 million for the three months ended 31 March 2018 to approximately RMB52.9 million for the three months ended 31 March 2019. The increase in revenue was mainly due to the revenue growth of the Group's contribution from the popular game series launched since 2017 and 2018, being Fish Catching Contest (捕魚大亂鬥) series and Shaky Battle (晃晃大作戰) series, respectively, with their revenue contribution being materialised over the

year ended 31 December 2018 and continuously in a growth trend during the three months ended 31 March 2019. For details, please refer to the section “Revenue by game series” in this announcement.

### ***Direct Costs***

The decrease in direct costs was primarily due to the net effect of (i) the absence of commercial launch of new mobile games by the Group for the three months ended 31 March 2019, as compared to one game series was commercially launched during the three months ended 31 March 2018, which additional manpower was required for the updates and maintenance of the game and provision of assistance to the licensed operators for commercial operation of the games in the same period; and (ii) the overall increase in level of staff salaries and benefits during the three months ended 31 March 2019.

### ***Gross Profit and Gross Profit Margin***

The Group’s gross profit for the three months ended 31 March 2019 amounted to approximately RMB49.1 million, representing an increase of approximately 75.4% as compared to approximately RMB28.0 million for the three months ended 31 March 2018. Gross profit margin for the three months ended 31 March 2019 was approximately 92.8% and approximately 85.1% for the three months ended 31 March 2018. The increase in 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 and 2018.

### ***Other Income***

The Group’s other income mainly consisted of interest income from short-term bank deposits and government grants. For the three months ended 31 March 2019, other income was approximately RMB0.8 million, compared with approximately RMB0.4 million for the three months ended 31 March 2018. Such increase was mainly attributable to the government grants of a PRC subsidiary of the Group granted by the local government in relation to an one-off award amounted to approximately RMB0.3 million to the Group in the three months ended 31 March 2019, which was not incurred in the three months ended 31 March 2018.

### ***Game Research Costs***

The Group’s game research costs for the three months ended 31 March 2019 amounted to approximately RMB86,000, representing a decrease of approximately RMB214,000 as compared to approximately RMB300,000 for the three months ended 31 March 2018. The decrease in game research costs was mainly due to the decrease in number of game series entered into the game inception and evaluation stage during the period. As a result of the decrease in the number of new games commencing the research stages, less manpower and resources were deployed for the mobile games in game inception and evaluation stage for the three months ended 31 March 2019 as compared to the three months ended 31 March 2018. For details, please refer to the section “Game Research and Development Costs” in this announcement.

### ***Distribution Costs***

The Group's distribution costs for the three months ended 31 March 2019 amounted to approximately RMB0.4 million, representing an increase of approximately RMB0.2 million as compared to RMB0.2 million for the same period in 2018, mainly due to the increase in salaries and benefits of promotional staff.

### ***Administrative Expenses***

The Group's administrative expenses for the three months ended 31 March 2019 amounted to approximately RMB8.3 million, representing an increase of approximately 107.5% as compared to approximately RMB4.0 million for the three months ended 31 March 2018. The increase in administrative expenses was mainly driven by (i) the increase in legal and professional fees of approximately RMB2.4 million incurred in relation to the Group's proposed application for the Transfer of Listing; and (ii) increase in salaries and staff benefits expenses of approximately RMB0.7 million, mainly attributable to the increase in the provision of bonus.

### ***Income Tax Expense***

The Group's income tax expense for the three months ended 31 March 2019 amounted to approximately RMB10.0 million as compared to approximately RMB5.6 million for the three months ended 31 March 2018. The increase in income tax expense was mainly due to the significant increase in the profits of the PRC subsidiaries of the Group during the three months ended 31 March 2019 as compared to the same period in 2018. For details, please refer to the section "Income tax expense" in this announcement.

### ***Profit for the Year***

Given the aforesaid reasons, profit attributable to owners of the Company increased by approximately 72.0% from approximately RMB18.2 million for the three months ended 31 March 2018 to approximately RMB31.3 million for the three months ended 31 March 2019.

### **Year ended 31 December 2018 compared with the year ended 31 December 2017**

#### ***Revenue***

The Group's revenue increased by approximately 100.1% from approximately RMB80.3 million for the year ended 31 December 2017 to approximately RMB160.7 million for the year ended 31 December 2018. The increase in revenue was mainly due to the launch of eleven 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, Age of Star Wars (星戰紀) series and Shaky Battle (晃晃大作戰) game series, with their revenue contribution being materialised in 2018. For details, please refer to the section “Revenue by game series” in this announcement.

### ***Direct Costs***

The Group’s direct costs for the year ended 31 December 2018 amounted to approximately RMB16.5 million, representing an increase of approximately 43.5% as compared to approximately RMB11.5 million for the year ended 31 December 2017. The increase was mainly due to (i) the commercial launch of three new mobile games during the year ended 31 December 2018, being the Super Rich (超級大富翁) series, Age of Star Wars (星戰紀) series and Shaky Battle (晃晃大作戰) series, which additional manpower was required for the updates and maintenance of the game and provision of assistance to the licensed operators for commercial operation of the games so as to ensure positive market responses; and (ii) 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***

The Group’s gross profit for the year ended 31 December 2018 amounted to approximately RMB144.2 million, representing an increase of approximately 109.6% as compared to approximately RMB68.8 million for the year ended 31 December 2017. Gross profit margin for the year ended 31 December 2018 was approximately 89.7% and approximately 85.7% for the year ended 31 December 2017. The increase in 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***

The Group’s other income mainly consisted of interest income from short-term bank deposits and government grants. For the year ended 31 December 2018, other income was approximately RMB2.4 million, compared with approximately RMB3.3 million for the year ended 31 December 2017. Such decrease was mainly attributable to the decrease of government grants of a PRC subsidiary of the Group granted by the local government from approximately RMB2.2 million in 2017 to approximately RMB0.9 million during the year, which is as a result of the one-off award amounted to approximately RMB1.4 million to the Group in 2017 not recurring in 2018.

### ***Game Research Costs***

The Group’s game research costs for the year ended 31 December 2018 amounted to approximately RMB0.8 million, representing an increase of approximately RMB0.6 million as compared to RMB0.2 million for the year ended 31 December 2017. The increase in game research costs was mainly due to the increase in number of new games commencing the research stages with relatively larger scale and higher complexity, namely which comprised Age of Star Wars (星戰紀), Shaky Battle (晃晃大作戰), Royal



Tycoon (皇家大亨) (tentative name), Royal Fish Catching (皇家捕魚) (tentative name), Sweeties Fighting 2 (零食大亂鬥 2) (tentative name) and Super Diglett Fighting (超級地鼠大亂鬥) (tentative name), which more manpower and resources were deployed for the new series of games, leading to the increase in research costs. For details, please refer to the section “Game Research and Development Costs” in this announcement.

### ***Distribution Costs***

The Group’s distribution costs for the year ended 31 December 2018 amounted to approximately RMB0.7 million, representing an increase of approximately RMB0.1 million as compared to RMB0.6 million for the same period in 2017, mainly due to the increase in salaries and benefits of promotional staff.

### ***Administrative Expenses***

The Group’s administrative expenses for the year ended 31 December 2018 amounted to approximately RMB25.4 million, representing an increase of approximately 117.1% as compared to approximately RMB11.7 million for the year ended 31 December 2017. The increase in administrative expenses was mainly driven by (i) the increase in legal and professional fees of approximately RMB4.9 million incurred in relation to the Group’s proposed application for the Transfer of Listing; (ii) increase in salaries and staff benefits expenses of approximately RMB1.6 million, mainly attributable to the increase in the provision of bonus; and (iii) the increase in exchange difference by approximately RMB2.0 million in relation to the final dividends paid for the year ended 31 December 2017 on 22 June 2018.

### ***Income Tax Expense***

The Group’s income tax expense for the year ended 31 December 2018 amounted to approximately RMB29.1 million as compared to approximately RMB16.2 million for the year ended 31 December 2017. The increase in income tax expense was mainly due to the significant increase in the profits of the PRC subsidiary of the Group during the year ended 31 December 2018 as compared to the same period in 2017. For details, please refer to the section “Income tax expense” in this announcement.

### ***Profit for the Year***

Given the aforesaid reasons, profit attributable to owners of the Company increased by approximately 107.1% from approximately RMB43.4 million for the year ended 31 December 2017 to approximately RMB89.9 million for the year ended 31 December 2018.



## **Year ended 31 December 2017 compared with the year ended 31 December 2016**

### ***Revenue***

The Group's revenue increased by approximately 78.4% from approximately RMB45.0 million for the year ended 31 December 2016 to approximately RMB80.3 million for the year ended 31 December 2017. The increase in revenue was mainly due to the increase in revenue brought by the commercial launch of eight mobile game series in 2017, including Number Drop game series, G-game game series, Sweeties Fighting (零食大亂鬥) game series, War of the Sulfulons (薩弗隆戰記) game series, Super Tycoon (超級大亨) game series, Forest Gala (森林大聯歡) game series, Fish Catching Contest (捕魚大亂鬥) game series and Super Cute Monster (超級逗萌獸) game series. For details, please refer to the section "Revenue by game series" in this announcement.

### ***Direct Costs***

The Group's direct costs for the year ended 31 December 2017 amounted to approximately RMB11.5 million, representing an increase of approximately 55.4% as compared to approximately RMB7.4 million for the year ended 31 December 2016. The increase in direct costs was mainly due to (i) the commercial launch of eight new mobile games during the year, being the Number Drop series, the G-game series, the Sweeties Fighting (零食大亂鬥) series, the War of the Sulfulons (薩弗隆戰記) series, the Super Tycoon (超級大亨) series, the Forest Gala (森林大聯歡) series, Fish Catching Contest (捕魚大亂鬥) series and Super Cute Monster (超級逗萌獸) series, which additional manpower was required for the updates and maintenance of the game and provision of assistance to the licensed operators for commercial operation of the games so as to ensure positive market responses; (ii) the increase in amortisation cost of intangible assets for the commercial launch of the Group's new games from 2016 to 2017; (iii) the increase in salaries and welfare expenses; and (iv) the increase in other tax and surcharges arising from the significant increase in revenue.

### ***Gross Profit and Gross Profit Margin***

The Group's gross profit for the year ended 31 December 2017 amounted to approximately RMB68.8 million, representing an increase of approximately RMB31.2 million as compared to approximately RMB37.6 million for the year ended 31 December 2016. The Group's gross profit margin for the year ended 31 December 2017 amounted to approximately 85.7% and approximately 83.6% for the year ended 31 December 2016. The increase in gross profit and gross profit margin was mainly due to the increase in revenue generated from the newly commercialised games during the year. The gross profit margin remained relatively stable for both years.

### ***Other Income***

The Group's other income mainly consisted of interest income on short-term bank deposits and government grants. For the year ended 31 December 2017, the Group's other income was approximately RMB3.3 million, compared with approximately RMB2.6 million in 2016. Such increase was mainly attributable to the increase of government grants of a PRC subsidiary of the Group received from the local government from approximately RMB1.4 million in 2016 to approximately RMB2.2 million during the year.

### ***Game Research Costs***

The Group's game research costs for the year ended 31 December 2017 amounted to approximately RMB0.2 million, representing a decrease of approximately RMB0.4 million as compared to approximately RMB0.6 million for year ended 31 December 2016. As a result of the relatively low complexity of some of the Group's new games, which comprised Forest Gala (森林大聯歡), Fish Catching Contest (捕魚大亂鬥), Super Cute Monster (超級逗萌獸) and Super Rich (超級大富翁) game series, with game development and programming work being commenced in early stage of the development process, manpower and resources deployed for the game inception and evaluation stage of mobile games decreased for the years ended 31 December 2017 and 31 December 2016. For details, please refer to the section "Game Research and Development Costs" in this announcement.

### ***Distribution Costs***

The Group's distribution costs for the year ended 31 December 2017 amounted to approximately RMB0.6 million, representing a decrease of approximately RMB0.2 million as compared to the year ended 31 December 2016. The decrease was mainly due to the decrease in the number of promotional staff.

### ***Administrative Expenses***

The Group's administrative expenses for the year ended 31 December 2017 amounted to approximately RMB11.7 million, representing a decrease of approximately 8.6% as compared to approximately RMB12.8 million for the year ended 31 December 2016. Without taken into account the listing related expenses incurred in 2016, the Group's administrative expenses for the year ended 31 December 2017 amounted to approximately RMB11.7 million, representing an increase of approximately 30.0% as compared to approximately RMB9.0 million for the year ended 31 December 2016. The increase in administrative expenses was mainly due to the increase in salaries of the Group's personnel as well as the increase in rentals for the Group's operating premises.

### ***Income Tax Expense***

The Group's income tax expense for the year ended 31 December 2017 amounted to approximately RMB16.2 million as compared to approximately RMB3.9 million for the year ended 31 December 2016. The increase in income tax expense was mainly due to (i) the significant increase in the profits of the PRC subsidiary of the Group during the year ended 31 December 2017 as compared to the year ended 31 December 2016; and (ii) the increase in provision of income tax expense under the provisions of the PRC tax law with respect to the withholding obligation for distribution of dividends to foreign investors by the PRC subsidiary of the Group. For details, please refer to the section "Income tax expense" in this announcement.

### ***Profit for the Year***

Given the aforesaid reasons, profit attributable to owners of the Company increased by approximately 97.3% from approximately RMB22.0 million for the year ended 31 December 2016 to approximately RMB43.4 million for the year ended 31 December 2017.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth the Group's consolidated statement of financial position as of the dates indicated:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	1,557	1,746	1,507	1,446
Intangible assets	7,623	8,040	7,602	9,694
Right-of-use assets	—	—	—	2,258
Investments accounted for using equity method	—	—	2,452	2,817
	<u>9,180</u>	<u>9,786</u>	<u>11,561</u>	<u>16,215</u>
<b>CURRENT ASSETS</b>				
Trade receivables	13,217	28,882	64,195	71,419
Prepayment, deposits and other receivables	687	2,101	732	931
Short-term bank deposits	10,000	10,000	—	—
Cash and cash equivalents	<u>70,106</u>	<u>78,534</u>	<u>136,783</u>	<u>163,023</u>
	<u>94,010</u>	<u>119,517</u>	<u>201,710</u>	<u>235,373</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	1,901	2,891	5,063	6,916
Deferred revenue	3,314	2,212	954	611
Dividend payables	—	451	—	—
Tax payables	1,430	2,444	6,129	6,850
Lease liabilities	—	—	—	2,185
	<u>6,645</u>	<u>7,998</u>	<u>12,146</u>	<u>16,562</u>
<b>Net current assets</b>	<u>87,365</u>	<u>111,519</u>	<u>189,564</u>	<u>218,811</u>
<b>Total assets less current liabilities</b>	<u>96,545</u>	<u>121,305</u>	<u>201,125</u>	<u>235,026</u>

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)
<b>NON-CURRENT LIABILITIES</b>				
Deferred revenue	336	844	66	29
Lease liabilities	—	—	—	73
Deferred tax liabilities	—	4,000	8,900	12,000
	<u>336</u>	<u>4,844</u>	<u>8,966</u>	<u>12,102</u>
<b>Net assets</b>	<u>96,209</u>	<u>116,461</u>	<u>192,159</u>	<u>222,924</u>
<b>EQUITY</b>				
Share capital	1,347	1,347	2,669	2,669
Reserves	<u>94,862</u>	<u>115,114</u>	<u>189,525</u>	<u>220,322</u>
	96,209	116,461	192,194	222,991
<b>Non-controlling interests</b>	—	—	(35)	(67)
<b>Total equity</b>	<u>96,209</u>	<u>116,461</u>	<u>192,159</u>	<u>222,924</u>

As at 31 December 2017, the Group's net current assets increased by approximately RMB24.1 million or 27.6% from approximately RMB87.4 million as at 31 December 2016 to approximately RMB111.5 million as at 31 December 2017. The increase in net current assets during the year was primarily attributable to (i) an increase in trade receivables by approximately RMB15.7 million mainly caused by the increase in the Group's revenue for the year; and (ii) an increase in cash and cash equivalents by approximately RMB8.4 million resulted from net cash from operating activities.

The Group's net current assets further increased by approximately RMB78.1 million or 70.0% from approximately RMB111.5 million as at 31 December 2017 to approximately RMB189.6 million as at 31 December 2018. The increase in net current assets during the year was primarily attributable to an increase in cash and cash equivalents by approximately RMB58.2 million resulted from net cash from operating activities.

The Group's net current assets further increased by approximately RMB29.2 million or 15.4% from approximately RMB189.6 million as at 31 December 2018 to approximately RMB218.8 million as at 31 March 2019. The increase in net current assets during the period was primarily attributable to (i) an increase in trade receivables by approximately RMB7.2 million mainly caused by the increase in the Group's revenue for the year; and (ii) an increase in cash and cash equivalents by approximately RMB26.2 million resulted from net cash from operating activities.

## DESCRIPTION OF KEY ITEMS ON STATEMENT OF FINANCIAL POSITION

### Property, Plant and Equipment

	Office equipment <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost</b>				
As at 1 January 2016	2,282	148	225	2,655
Additions	<u>273</u>	<u>—</u>	<u>—</u>	<u>273</u>
As at 31 December 2016 and 1 January 2017	2,555	148	225	2,928
Additions	817	—	232	1,049
Exchange adjustment	<u>—</u>	<u>—</u>	<u>(2)</u>	<u>(2)</u>
As at 31 December 2017 and 1 January 2018	3,372	148	455	3,975
Additions	770	13	—	783
Exchange adjustment	<u>4</u>	<u>—</u>	<u>11</u>	<u>15</u>
As at 31 December 2018 and 1 January 2019	4,146	161	466	4,773
Additions	138	—	—	138
Exchange adjustment	<u>—</u>	<u>—</u>	<u>(5)</u>	<u>(5)</u>
As at 31 March 2019 (unaudited)	<u>4,284</u>	<u>161</u>	<u>461</u>	<u>4,906</u>

	<b>Office equipment</b> <i>RMB'000</i>	<b>Furniture and fixtures</b> <i>RMB'000</i>	<b>Leasehold improvement</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Accumulated depreciation</b>				
As at 1 January 2016	625	49	56	730
Charge for the year	<u>542</u>	<u>24</u>	<u>75</u>	<u>641</u>
As at 31 December 2016 and 1 January 2017	1,167	73	131	1,371
Charge for the year	682	24	155	861
Exchange adjustment	<u>—</u>	<u>—</u>	<u>(3)</u>	<u>(3)</u>
As at 31 December 2017 and 1 January 2018	1,849	97	283	2,229
Charge for the year	871	21	136	1,028
Exchange adjustment	<u>1</u>	<u>—</u>	<u>8</u>	<u>9</u>
As at 31 December 2018 and 1 January 2019	2,721	118	427	3,266
Charge for the period	164	5	29	198
Exchange adjustment	<u>—</u>	<u>—</u>	<u>(4)</u>	<u>(4)</u>
As at 31 March 2019 (unaudited)	2,885	123	452	3,460
<b>Net carrying value</b>				
As at 31 March 2019 (unaudited)	<u>1,399</u>	<u>38</u>	<u>9</u>	<u>1,446</u>
As at 31 December 2018	<u>1,425</u>	<u>43</u>	<u>39</u>	<u>1,507</u>
As at 31 December 2017	<u>1,523</u>	<u>51</u>	<u>172</u>	<u>1,746</u>
As at 31 December 2016	<u>1,388</u>	<u>75</u>	<u>94</u>	<u>1,557</u>

During the years ended 31 December 2016, 2017 and 2018 and three months ended 31 March 2019, the Group's property, plant and equipment was comprised of office equipment, furniture and fixtures and leasehold improvement.

Property, plant and equipment as at 31 December 2017 amounted to approximately RMB1.7 million, which increased by approximately RMB0.1 million as compared with approximately RMB1.6 million as at 31 December 2016. The increase was mainly



attributable to additions of RMB1.0 million for the purchase of office equipment and leasehold improvement, and offset by depreciation charge of approximately RMB0.9 million.

Property, plant and equipment as at 31 December 2018 amounted to approximately RMB1.5 million, decreased by approximately RMB0.2 million as compared with approximately RMB1.7 million as at 31 December 2017. The decrease was mainly attributable to additions of RMB0.8 million for the purchase of office equipment and furniture and fixtures, and offset by depreciation charge of approximately RMB1.0 million.

Property, plant and equipment as at 31 March 2019 amounted to approximately RMB1.4 million, decreased by approximately RMB0.1 million as compared with approximately RMB1.5 million as at 31 December 2018. The decrease was mainly attributable to the depreciation charge of approximately RMB0.2 million, offset by the additions of RMB0.1 million for the purchase of office equipment.

### Intangible Assets

	<b>Game intellectual properties</b> <i>RMB'000</i>	<b>Development costs</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Cost</b>			
As at 1 January 2016	6,356	5,674	12,030
Additions	—	3,365	3,365
Transfer from development costs	<u>7,405</u>	<u>(7,405)</u>	<u>—</u>
As at 31 December 2016 and 1 January 2017	13,761	1,634	15,395
Additions	—	6,684	6,684
Transfer from development costs	<u>7,070</u>	<u>(7,070)</u>	<u>—</u>
As at 31 December 2017 and 1 January 2018	20,831	1,248	22,079
Additions	—	6,579	6,579
Transfer from development costs	<u>3,444</u>	<u>(3,444)</u>	<u>—</u>
As at 31 December 2018 and 1 January 2019	24,275	4,383	28,658
Additions	<u>—</u>	<u>3,208</u>	<u>3,208</u>
As at 31 March 2019 (unaudited)	<u>24,275</u>	<u>7,591</u>	<u>31,866</u>

	<b>Game intellectual properties</b> <i>RMB'000</i>	<b>Development costs</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Accumulated amortisation and impairment</b>			
As at 1 January 2016	2,494	—	2,494
Charge for the year	<u>5,278</u>	<u>—</u>	<u>5,278</u>
As at 31 December 2016 and 1 January 2017	7,772	—	7,772
Charge for the year	<u>6,267</u>	<u>—</u>	<u>6,267</u>
As at December 2017 and 1 January 2018	14,039	—	14,039
Charge for the year	6,153	—	6,153
Impairment for the year	<u>864</u>	<u>—</u>	<u>864</u>
As at 31 December 2018 and 1 January 2019	21,056	—	21,056
Charge for the period	<u>1,116</u>	<u>—</u>	<u>1,116</u>
As at 31 March 2019 (unaudited)	<u>22,172</u>	<u>—</u>	<u>22,172</u>
<b>Net carrying value</b>			
As at 31 March 2019 (unaudited)	<u>2,103</u>	<u>7,591</u>	<u>9,694</u>
As at 31 December 2018	<u>3,219</u>	<u>4,383</u>	<u>7,602</u>
As at 31 December 2017	<u>6,792</u>	<u>1,248</u>	<u>8,040</u>
As at 31 December 2016	<u>5,989</u>	<u>1,634</u>	<u>7,623</u>

During the years ended 31 December 2016, 2017 and 2018 and three months ended 31 March 2019, the Group's intangible assets mainly represented game intellectual properties and development costs.

#### ***Game intellectual properties***

As at 31 December 2016, 2017 and 2018 and 31 March 2019, the carrying value of the Group's game intellectual properties was approximately RMB6.0 million, RMB6.8 million, RMB3.2 million and RMB2.1 million, respectively.

The cost of game intellectual properties as at 31 December 2017 amounted to approximately RMB20.8 million, which increased by approximately RMB7.0 million as compared with the cost as at 31 December 2016. The increase was primarily attributable to (i) the mobile versions of the Group's the Super Cute Monster (超級逗萌獸) series of games which have been recognised as our game intellectual properties since its commercialisation in December 2017; and (ii) the commercially launched mobile versions of the Group's War of the Sulfulons (薩弗隆戰記) series of games in July 2017.

The cost of game intellectual properties as at 31 December 2018 amounted to approximately RMB24.3 million, which increased by approximately RMB3.5 million as compared with the cost as at 31 December 2017. The increase was primarily attributable to (i) the mobile versions of the Group's Super Rich (超級大富翁) series of games which have been recognised as our game intellectual properties since its commercialisation in February 2018; and (ii) the commercially launched mobile versions of the Group's Age of Star Wars (星戰紀) and Shaky Battle (晃晃大作戰) series of games in June 2018 and July 2018, respectively.

The cost of game intellectual properties as at 31 March 2019 amounted to approximately RMB24.3 million, which there was no change as compared to 31 December 2018.

### **Development costs**

The following table sets forth the breakdown of our development costs by games as of the dates indicated:

	2016		As at 31 December				As at 31 March			
	RMB'000	%	2017		2018		2019		(unaudited)	
			RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sweeties Fighting (零食大亂鬥)	718	44.0	—	—	—	—	—	—	—	—
War of the Sulfulons (薩弗隆戰記)	617	37.8	—	—	—	—	—	—	—	—
Number Drop	146	8.9	—	—	—	—	—	—	—	—
G-Game	153	9.3	—	—	—	—	—	—	—	—
Super Rich (超級大富翁)	—	—	1,248	100.0	—	—	—	—	—	—
Royal Tycoon (皇家大亨) (tentative name)	—	—	—	—	3,134	71.5	3,707	48.8	—	—
Royal Fish Catching (皇家捕魚) (tentative name)	—	—	—	—	1,100	25.1	1,815	23.9	—	—
Sweeties Fighting (零食大亂鬥2) (tentative name)	—	—	—	—	—	—	947	12.5	—	—
Super Diglett Fighting (超級地鼠大亂鬥) (tentative name)	—	—	—	—	149	3.4	744	9.8	—	—
Super Bouncy (超級彈彈彈) (tentative name)	—	—	—	—	—	—	258	3.4	—	—
Jungle Treasure (叢林秘寶) (tentative name)	—	—	—	—	—	—	120	1.6	—	—
<b>Total</b>	<b>1,634</b>	<b>100.0</b>	<b>1,248</b>	<b>100.0</b>	<b>4,383</b>	<b>100.0</b>	<b>7,591</b>	<b>100.0</b>		

As at 31 December 2016, 2017 and 2018 and 31 March 2019, the carrying value of the Group's development costs was approximately RMB1.6 million, RMB1.2 million, RMB4.4 million and RMB7.6 million, respectively, primarily attributable to the capitalised expenses associated with game development and programming stage such as salaries for staff responsible for game development and outsourcing fees.

The decrease in the carrying value of the Group's development costs by approximately RMB0.4 million for the year ended 31 December 2017 was primarily attributable to the commercial launch of the mobile versions of the Group's the Super Cute Monster (超級逗萌獸) and War of the Sulfulons (薩弗隆戰記) series of games in December 2017 and July 2017, respectively. Therefore, development costs approximately RMB7.1 million was transferred to game intellectual properties. It was partially offset by the addition of our development costs of approximately RMB6.7 million primarily attributable to the capitalised expenses for the development of the Group's mobile game series, which included the Super Cute Monster (超級逗萌獸), the War of the Sulfulons (薩弗隆戰記) and the Super Rich (超級大富翁), the Fish Catching Contest (捕魚大亂鬥), the Forest Gala (森林大聯歡) and Super Tycoon (超級大亨) series.

The increase in the carrying value of the Group's development costs by approximately RMB3.1 million for the year ended 31 December 2018 was attributable to the addition of development costs of approximately RMB6.5 million primarily due to the capitalised expenses for the development of the Group's mobile game series, which included the Super Rich (超級大富翁), the Age of Star Wars (星戰紀) and the Shaky Battle (晃晃大作戰), the Royal Tycoon (皇家大亨) (tentative name) and the Royal Fish Catching (皇家捕魚) (tentative name) series. It was partially offset by the decrease of approximately RMB3.4 million which was mainly attributable to the transfer of development cost to game intellectual properties upon commercial launch of the Group's new game series of the Super Rich (超級大富翁) and the Age of Star Wars (星戰紀) series in February 2018 and June 2018, respectively.

The increase in the carrying value of the Group's development costs by approximately RMB3.2 million for the three months ended 31 March 2019 was primarily attributable to the capitalised expenses for the continuous development of game series since the year ended 31 December 2018, which included Royal Tycoon (皇家大亨) (tentative name), Royal Fish Catching (皇家捕魚) (tentative name) and Super Diglett Fighting (超級地鼠大亂鬥) (tentative name) series, and the development of other new game series in the three months ended 31 March 2019, which included Sweeties Fighting (零食大亂鬥 2) (tentative name), Super Bouncy (超級彈彈彈) (tentative name) and Jungle Treasure (叢林秘寶) (tentative name) series.

## Right-of-Use Assets and Lease Liabilities

The Group has adopted HKFRS 16 “Leases” from 1 January 2019, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in HKFRS 16, the Group has recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2019). As a result, the financial information presented for 2018 has not been restated.

As a result of applying HKFRS 16, in relation to the leases that were previously classified as operating lease, the Group recognised RMB2.3 million of right-of-use assets and lease liabilities, respectively, in relation to its leased office premises as lessee as at 31 March 2019, which the Directors consider there was no significant impact on financial performance and position of the Group.

## Investments Accounted For Using Equity Method

	As at 31 December			As at
	2016	2017	2018	31 March
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
				(unaudited)
Share of net assets	<u>—</u>	<u>—</u>	<u>2,452</u>	<u>2,817</u>

Details of the Group’s equity investment as at 31 March 2019 is as follows:

Name	Place of incorporation and operation	Registered and issued capital	Percentage of interests held by the Group as at 31 March 2019	Principal activity
Newbie Media	Thailand	THB35.0 million	45%	Advertising management and planning for online game

The Group invested in Newbie Media, a company incorporated in Thailand with limited liability to, among others, expand and extend sales of the Company’s games to overseas markets, thereby increasing and diversifying the Group’s sources of income. For more details regarding the Group’s investment in Thailand, please refer to the section headed “Recent Development — Further Expansion of the Group”.

## Trade Receivables

The Group's trade receivables as at the end of each respective years ended 31 December 2016, 2017 and 2018 and 31 March 2019 represented the outstanding license fees and royalties payables by the Group's licensed operators. The Group's trade receivables as at 31 December 2016, 2017 and 2018 and 31 March 2019 was approximately RMB13.2 million, RMB28.9 million, RMB64.2 million and RMB71.4 million, respectively, accounting for approximately 14.0%, 24.2%, 31.8% and 30.4% of our total current assets as of the end of each respective year during the three years ended 31 December 2016, 2017 and 2018 and as at the end of the three months ended 31 March 2019.

The Group's trade receivables as at 31 December 2017 increased by RMB15.7 million as compared with the balance as at 31 December 2016. The increase was mainly attributable to the commercial launch of new game series, namely Number Drop, G-game, Sweeties Fighting (零食大亂鬥), Super Tycoon (超級大亨), Forest Gala (森林大聯歡), Fish Catching Contest (捕魚大亂鬥) and Super Cute Monster (超級逗萌獸) and the increase in revenue derived from the existing game series.

The Group's trade receivables as at 31 December 2018 increased by RMB35.3 million as compared with the balance as at 31 December 2017. The increase was mainly attributable to the commercial launch of new game series, namely Age of Star Wars (星戰紀) and Shaky Battle (晃晃大作戰) and the increase in revenue derived from the existing game series.

The Group's trade receivables as at 31 March 2019 increased by RMB7.2 million as compared with the balance as at 31 December 2018. The increase was mainly attributable to the increase in revenue derived from the existing game series.

The credit period we granted to our licensed operators during the three years ended 31 December 2016, 2017 and 2018 and three months ended 31 March 2019 was within 120 days. The following table sets forth the ageing analysis of our trade receivables, based on invoice date as of the dates indicated:

	2016		As at 31 December				As at 31 March			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	(unaudited)	
0-30 days	5,163	39.1	11,602	40.2	17,865	27.8	16,910	23.7		
31-60 days	4,690	35.5	8,285	28.7	16,118	25.1	19,975	28.0		
61-90 days	2,607	19.7	7,783	26.9	16,612	25.9	18,661	26.1		
91-120 days	146	1.1	304	1.1	12,907	20.1	14,675	20.5		
more than 120 days	611	4.6	908	3.1	693	1.1	1,198	1.7		
Total	<u>13,217</u>	<u>100.0</u>	<u>28,882</u>	<u>100.0</u>	<u>64,195</u>	<u>100.0</u>	<u>71,419</u>	<u>100.0</u>		

As of the Latest Practicable Date, approximately 50.9% of our trade receivables as at 31 March 2019 had been subsequently settled.

The following table sets forth the aging analysis of our trade receivables based on due dates as of the dates indicated:

	2016		As at 31 December 2017		2018		As at 31 March 2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%
Neither past due nor impaired	12,606	95.4	27,975	96.9	63,502	98.9	70,221	98.3
Past due for less than 30 days	154	1.2	110	0.4	90	0.1	286	0.4
Past due for more than 30 days but less than 60 days	34	0.3	358	1.2	78	0.1	125	0.2
Past due for more than 60 days but less than 120 days	6	0.0	274	0.9	121	0.2	186	0.3
Past due for more than 120 days but less than 1 year	417	3.1	163	0.6	241	0.4	438	0.6
Past due for more than 1 year	—	—	2	0.0	163	0.3	163	0.2
Total	<u>13,217</u>	<u>100.0</u>	<u>28,882</u>	<u>100.0</u>	<u>64,195</u>	<u>100.0</u>	<u>71,419</u>	<u>100.0</u>

The Group's trade receivables that were past due but not impaired of approximately RMB0.6 million, RMB0.9 million, RMB0.7 million and RMB1.2 million as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively, were related to licensed operators with stable business relationship. Our Directors are of the view that, based on our past experience, no impairment allowance is necessary as there has not been a significant change in credit quality of these licensed operators.

The table below sets forth the trade receivables turnover days for the relevant year indicated:

	For the year ended 31 December			For the three months ended
	2016	2017	2018	31 March 2019
Trade receivables turnover days	109	101	107	115

The Group's trade receivables turnover days, which were calculated by dividing average balance of trade receivables as at the end of each respective years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019 by the Group's revenue (excluded license fees) for the respective years/period and multiplying 365 days or 90 days



respectively, maintained at approximately 109 days, 101 days, 107 days and 115 days, respectively, which was within the credit period granted to the Group's licensed operators during the three years ended 31 December 2016, 2017 and 2018 and three months ended 31 March 2019.

### Other Current Assets

Other current assets were mainly comprised of prepayments, deposits and other receivables, bank deposits and cash and cash equivalents. As at 31 December 2016, 2017 and 2018 and 31 March 2019, other current assets amounted to approximately RMB80.8 million, RMB90.6 million, RMB137.5 million and RMB164.0 million, respectively. The overall increase was mainly attributable to the increase in cash and cash equivalents, which was mainly driven by the increase in operating cash flow from revenue of the Group over the three years ended 31 December 2016, 2017 and 2018 and three months ended 31 March 2019.

### Trade and Other Payables

The following table sets forth the breakdown of the Group's trade and other payables as at the dates indicated:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Trade payables	99	—	—	—
Accruals	1,295	1,936	2,768	5,577
Other payables	<u>507</u>	<u>955</u>	<u>2,295</u>	<u>1,339</u>
Total	<u>1,901</u>	<u>2,891</u>	<u>5,063</u>	<u>6,916</u>

During the years ended 31 December 2016, 2017 and 2018 and three months ended 31 March 2019, the Group's trade and other payables were comprised of trade payables, accruals and other payables.

Trade and other payables as at 31 December 2017 amounted to approximately RMB2.9 million, which increased by RMB1.0 million as compared with the balance as at 31 December 2016. The increase was mainly attributable to the increase in salary and welfare payable as well as other taxes (other than EIT).

Trade and other payables as at 31 December 2018 amounted to approximately RMB5.1 million, which increased by RMB2.2 million as compared with the balance as at 31 December 2017. The increase was mainly attributable to the increase in (i) salary and welfare payable as well as other taxes (other than EIT); and (ii) other payables for one-off government housing allowance received on behalf of employee during the year.

Trade and other payables as at 31 March 2019 amounted to approximately RMB6.9 million, which increased by RMB1.8 million as compared with the balance as at 31 December 2018. The increase was mainly attributable to the increase in (i) accrued legal and professional fee of approximately RMB2.1 million which was primarily attributable to the Transfer of Listing application; (ii) the increase in salary and welfare payable as well as other taxes (other than EIT) of approximately RMB0.4 million which was partially offset by the decrease of approximately RMB0.7 million primarily due to the settlement of other payables to employee for one-off government housing allowance received on behalf of employee during the year ended 31 December 2018.

### **Deferred Revenue**

The Group's deferred revenue represented the license fees the Group generally received in accordance with the contractual terms agreed with the Group's licensed operators for granting exclusive operating rights for specific games within an agreed period and designated territories but not yet recognised as revenue. The license fees received by installments from our licensed operators will be recognised as revenue on a straight-line basis over the licensing period, which was typically for a period of two years during the years ended 31 December 2016, 2017 and 2018 and three months ended 31 March 2019. Deferred revenue is classified as contract liabilities under HKFRS 15 "Revenue from Contracts with Customers".

The balances of our deferred revenue, consisting both current and non-current portion, were approximately RMB3.7 million, RMB3.1 million, RMB1.0 million and RMB0.6 million as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively. The non-current portion of the Group's deferred revenue, which was approximately RMB0.3 million, RMB0.8 million, RMB66,000 and RMB29,000 as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively, was expected to be realised more than one year commencing from the year-end date of each financial period during the three years ended 31 December 2016, 2017 and 2018 and three months ended 31 March 2019.

### **PUBLICATION OF RESULTS**

The first quarterly results of the Group for the three months ended 31 March 2018 were published. Please refer to the first quarterly results announcement and first quarterly report of the Company for the three months ended 31 March 2018 published on 11 May 2018 for details.

The interim results of the Group for the six months ended 30 June 2018 were published. Please refer to the interim results announcement and interim report of the Company for the six months ended 30 June 2018 published on 10 August 2018 for details.

The third quarterly results of the Group for the nine months ended 30 September 2018 were published. Please refer to the third quarterly results announcement and third quarterly report of the Company for the nine months ended 30 September 2018 published on 13 November 2018 for details.

The annual results of the Group for the year ended 31 December 2018 were published. Please refer to the annual results announcement and annual report of the Company for the year ended 31 December 2018 published on 19 March 2019 and 21 March 2019, respectively, for details.

The first quarterly results of the Group for the three months ended 31 March 2019 were published. Please refer to the first quarterly results announcement and first quarterly report of the Company for the three months ended 31 March 2019 published on 14 May 2019 for details.

## **MATERIAL RISKS ASSOCIATED WITH THE GROUP'S BUSINESS**

**The Group depends heavily on a limited number of licensed operators from which its revenue is sourced, and any deterioration or interruption of the business relationships with these licensed operators may have a material and adverse impact on the Group's business, results of operations and financial position**

The Group focuses on the development of mobile and browser games and did not operate and publish any of its self-developed games. The Group has licensed its games to various well-established game operators as its licensed operators. The Group has benefited from these well-established licensed operators' distribution channels and platforms. The Group's licensed operators are granted either exclusive and/or non-exclusive rights to operate, publish and distribute the specified game within an agreed period and within designated territories and pays the Group license fees and/or royalties.

During the year ended 31 December 2017 and 2018 and three months ended 31 March 2019, all of the Group's five largest customers were third party operators licensed to operate the Group's self-developed games within designated territories. As at 31 December 2017, 31 December 2018 and 31 March 2019, the Group's self-developed mobile and browser games were licensed to 12, 12 and 11 licensed operators, respectively. For the year ended 31 December 2017, 31 December 2018 and three months ended 31 March 2019, the Group's single largest licensed operator contributed approximately 40.0%, 78.7% and 82.5% of the Group's total revenue respectively, while revenue contributed from the Group's five largest licensed operators accounted for approximately 90.4%, 97.5% and 99.1% of the Group's total revenue, respectively. With a view to reduce its reliance on major licensed operators, the Group is planning to license its games to a number of new licensed operators. However, the Group expects that a few well-established game operators will remain as its major customers in the foreseeable future.

Consequently, any of the following events may have a material adverse impact on the Group's financial condition and results of operations, should any of its licensed operators:

— go out of business;

- discontinue its relationship due to any reason, such as the operators' lack of required license or permits;
- limit the game players access to its platforms;
- modify its terms of services to game players or other policies;
- change its fee structure; or
- provide more favourable terms to the Group's competitors or develop its own games.

Furthermore, if any of the Group's licensed operators loses its market position, or if any of them fails and/or is unable to perform its contractual obligations, the Group would need to identify and find alternative licensed operators under similar commercial terms. During the years ended 31 December 2017 and 2018 and three months ended 31 March 2019, the Group ceased its business relationship with one of its licensed operators in the PRC due to the expiration of the game licensing agreement with the licensed operator and the licensed operator's business realignment. There can be no assurance that the Group will not experience any cessation of business relationships with its licensed operators in future. There is no assurance that the Group would be able to find suitable alternative licensed operators in a short period of time, and/or be able to negotiate comparatively favourable commercial terms with new licensed operators.

Moreover, there is no assurance that any new licensed operator will be successful in operating the Group's self-developed mobile and browser games within an agreed period and within designated territories. In such an event, the Group's results of operations and financial position may be materially and adversely affected.

**More than 73% and 77% of the Group's revenue for the year ended 31 December 2018 and three months ended 31 March 2019 was generated from the Group's two mobile games, respectively, and they are both operated by the Group's top licensed operator for the year ended 31 December 2018 and three months ended 31 March 2019 and any significant adverse impacts to these two mobile games or such licensed operator could materially affect the Group's business**

The Group's revenue for the year ended 31 December 2018 was primarily generated from Fish Catching Contest (捕魚大亂鬥) and Sweeties Fighting (零食大亂鬥) game series, which contributed 40.9% and 32.2% of the Group's revenue, respectively. For the three months ended 31 March 2019, revenue contribution from Fish Catching Contest (捕魚大亂鬥) and Sweeties Fighting (零食大亂鬥) game series accounted for 51.9% and 25.3% of the Group's revenue, respectively. The Directors expect that the Group will continue to derive a significant amount of the revenue from a limited number of games in the foreseeable future. Although the Group is also actively trying different ways to enhance user experience and offer maximum value to game players, the Group cannot assure the Shareholders and the investors that its efforts will be successful to attract as many paying users as the above-mentioned mobile games. Accordingly, should there be (i) any

unauthorised copy or imitation of the Group's games by competitors; (ii) any failure by the Group to make improvements, upgrades or enhancements to such games in a timely manner; or (iii) any lasting or prolonged server interruption due to network failures, "hacker attack" or other factors out of the Group's control, the business, financial condition and results of operation of the Group could be adversely affected.

As both Fish Catching Contest and Sweeties Fighting are operated by Shenzhen Viking, which was the Group's top licensed operator for the years ended 31 December 2017 and 2018 and three months ended 31 March 2019 and accounted for 40.0%, 78.7% and 82.5% of the Group's total revenue, respectively, any significant adverse impact to such licensed operator could materially affect the Group's business.

**A majority of revenue during the three years ended 31 December 2016, 2017 and 2018 and three months ended 31 March 2019 was generated from the PRC, any administrative changes in the regulatory government authorities may impact on the market conditions which could in turn affect our results of operations.**

The operations of the Group's online games are subject to the supervision and administration of multiple government authorities in the PRC. Since a majority of revenue during the three years ended 31 December 2016, 2017 and 2018 and three months ended 31 March 2019 was generated from the PRC, any administrative changes in the regulatory government authorities such as the NRTA and MCT may also impact on the market conditions which could in turn affect our results of operations. For more details, please refer to the sections headed "Regulations on Minors Protection" and "Approvals and filings for New Online Game" under the section headed "Recent Development" in this announcement.

## **USE OF PROCEEDS FROM THE PLACING**

The Shares of the Company were listed on GEM of the Stock Exchange on 18 February 2016, and the net proceeds from the Placing amounted to approximately HK\$28.9 million.

As at the Latest Practicable Date, the Group has spent approximately HK\$16.5 million, in aggregate, of the net proceeds from the Placing (approximately HK\$7.2 million on development of new games on mobile devices platform, approximately HK\$0.1 million on development of new browser games, approximately HK\$2.9 million on the continual optimisation of the Group's existing games on various platforms, approximately HK\$1.2 million on enhancing the Group's game development capabilities, approximately HK\$3.6 million on the acquisition of/investment in game developers, and related companies and approximately HK\$1.5 million for working capital and other general corporate uses).

Below is a summary of the use of proceeds from the Placing by the Company, for illustrative purpose:

Intended use of proceeds as disclosed in the Prospectus	Intended use of proceeds as allocated in accordance with the Prospectus <sup>(Note)</sup>		Use of proceeds as at the Latest Practicable Date as actually applied		Outstanding proceeds as at the Latest Practicable Date	
	Approximate percentage of net proceeds	HK\$ (million) (approx)	Approximate percentage of net proceeds	HK\$ (million) (approx)	Approximate percentage of net proceeds	HK\$ (million) (approx)
Continual optimisation of existing games on various platforms	10.0%	2.9	10.0%	2.9	—	—
Development of new games — browser games	25.0%	7.2	0.4%	0.1	24.6%	7.1
Development of new games — mobile games	25.0%	7.2	25.0%	7.2	—	—
Seeking opportunities to obtain/acquire the adaptation rights of appropriate source materials	12.5%	3.6	—	—	12.5%	3.6
Acquiring of/investment in game developers and related companies	12.5%	3.6	12.5%	3.6	—	—
Enhancement and diversification of game development capabilities	10.0%	2.9	4.1%	1.2	5.9%	1.7
Working capital and other general corporate purposes	5.0%	1.5	5.0%	1.5	—	—
<b>Total</b>	<b>100.0%</b>	<b>28.9</b>	<b>57.0%</b>	<b>16.5</b>	<b>43.0%</b>	<b>12.4</b>

*Note:* The allocation percentages reflect the percentage of the proceeds of the Placing as stated in the implementation plan of the Prospectus. The actual amounts of proceeds allocated stated herein have been adjusted to reflect the net proceeds actually received pursuant to the listing of the Company on GEM, while the implementation plan in the Prospectus is based on the mid-range expected offer price as at the latest practicable date of the Prospectus.

Regarding the amount of HK\$3.6 million allocated to acquisition of/investment in game developers and related companies, the Group spent the amount for the investment in a company in Thailand which is principally engaged in advertising management and planning for online games. For details of such investments, please refer to the section headed “Recent Development — Further Expansion of the Group” in this announcement.

As at the Latest Practicable Date, the outstanding proceeds from the Placing amounted to approximately HK\$12.4 million comprising (a) development of new games — browser games of approximately HK\$7.1 million; (b) seeking opportunities to obtain/acquire the adaptation rights of appropriate source materials of approximately HK\$3.6 million; and (c) enhancement and diversification of game development capabilities of approximately HK\$1.7 million.



**(a) Development of new games — browser games**

In recent years, the online game industry has experienced significant changes. The mobile game segment experienced rapid growth, whereas the browser game segment experienced a downturn. In light of the development of the online game industry, the Group focused on the development of new mobile games during the three years ended 31 December 2018 and three months ended 31 March 2019 and delayed the use of its net proceeds from the Placing allocated for development of new browser games. The Group planned to utilise such proceeds for development of two new browser games during the year ending 31 December 2019. The research and development of the new browser games are expected to be commenced in mid-2019. Subject to approvals to be granted by the relevant government department, the two new browser games are expected to be commercially launched in the PRC market the first quarter of 2021. For the Group's business strategy in browser games, please refer to the section headed "Description of Key Components of Results of Operations — Business Strategy in Mobile and Browser Games" in this announcement.

**(b) Seeking opportunities to obtain/acquire the adaptation rights of appropriate source materials (i.e. the right to adapt fictional character, artwork or design for game developed by the Group)**

The Group intended to apply this part of the allocated net proceeds to acquire licensing right to fictional character to be used in online game developed by the Group. As per the Directors, the Group conducted negotiations with overseas corporations for acquiring licensing right, however, as at the Latest Practicable Date no agreement was reached regarding the terms and conditions of licence fee of the intellectual property. Therefore, the use of net proceeds from the Placing allocated for acquiring licensing rights to fictional character was delayed. The Group will continuously seek opportunities and expect to utilise such proceeds in late 2019.

**(c) Enhancement and diversification of game development capabilities**

The Group intended to allocate the proceeds for diversifying game development capabilities mainly on purchasing software and computer hardware. However, in view of the delay in development of new browser games, the allocated proceeds were not fully utilised since the GEM Listing to the Latest Practicable Date. For the remaining portion of this part of the allocated net proceeds, the Group plans to allocate HK\$0.9 million in 2019 to acquire game development software and HK\$1.1 million in 2020 to invest in computer hardware in order to enhance the Group's development capabilities.



The proceeds from the Placing used to upgrade and diversify the game development capability of the Group which amounted to approximately HK\$2.0 million are expected to be utilised for purchasing of software and computer hardware. For the research and development projects which the Group commenced after the GEM Listing, in consideration of the actual scale and complexity encountered during the research and development stage, the Directors considered that the Group's existing computer hardware and software can fulfill the needs. Therefore, the usage of such proceeds of approximately HK\$2.0 million was deferred. With the increase in research and development projects and the goal to develop more exquisite games, the standard required by the Group's research and development projects are expected to be increased. Existing software and hardware are expected to be no longer satisfying the needs of research and development and such proceeds are expected to be fully utilised in 2020.

## **RECENT DEVELOPMENT**

### **Further Expansion of the Group**

In view of the growing potential of the game market in South East Asia, the Company invested in entities incorporated in Thailand as its first strategic move to enter the game markets in different South East Asian countries.

In early 2018, the Group invested in two companies incorporated with limited liability in Thailand, by acquiring from Independent Third Parties 98% and subscribing 45% of the respective equity interests in Firerock Co. and Newbie Media respectively.

Firerock Co. was incorporated in early 2018 and is principally engaged in the development of online games. As at the Latest Practicable Date, it has been focusing on developing local content for two mobile game series, namely Royal Tycoon (皇家大亨) and Royal Fish Catching (皇家捕魚). As at the Latest Practicable Date, Firerock Co. has fourteen employees. Both Mr. He Peng (賀鵬) and Mr. Yongqiang Ma (馬永強) are minority shareholders of Firerock Co. each holding 1% equity interests, and are Independent Third Parties. Each of Mr. He and Mr. Ma has more than five years of experience in the online game industry, respectively. To the best knowledge and belief of our Directors, apart from Mr. Ma who is currently acting as director of Firerock Co. and Newbie Media, there is no past or present relationship between Mr. He and Mr. Ma with our Group, its subsidiaries, its shareholders, directors, senior management or any of their respective associates.

Newbie Media was incorporated in early 2018 and is principally engaged in the advertising management and planning of online games. As at the Latest Practicable Date, Newbie Media has been promoting third party online games on public transport and outdoor advertising, and the Group intends Newbie Media will also assist in promoting the Group's overseas game services in the future. As at the Latest Practicable Date, Newbie Media has 19 employees. Ms. Suksom Sirichotiwong, the current majority shareholder holding 51% equity interests in Newbie Media, is an Independent Third Party and has more than three years of experience in the marketing and advertising of

online games. The minority shareholder is Mr. Yongqiang Ma who holds 4% equity interests of Newbie Media. To the best knowledge and belief of our Directors, apart from Ms. Suksom Sirichotiwong currently acting as director of Newbie Media, there is no past or present relationship between Ms. Suksom Sirichotiwong with our Group, its subsidiaries, its shareholders, directors, senior management or any of their respective associates.

The aggregate consideration paid by the Company for acquisition of 98% equity interests in Firerock Co. and for subscription of 45% equity interests Newbie Media were THB4.9 million (equivalent to approximately RMB1.0 million) and THB15.8 million (equivalent to approximately RMB3.2 million) respectively. Firerock Co. and Newbie Media were only incorporated in January 2018 and February 2018, respectively, and had registered capital of THB5.0 million and THB35.0 million as at 31 December 2018 respectively, which the scale of operations and financial performance were relatively immaterial to the Group. Based on the audited accounts of Firerock Co., the revenue and the net losses for the year ended 31 December 2018 were approximately nil and THB13.9 million (equivalent to RMB2.9 million), respectively. Based on the audited accounts of Newbie Media, the revenue and the net losses for the year ended 31 December 2018 were approximately THB7.8 million (equivalent to approximately RMB1.6 million) and THB6.6 million (equivalent to approximately RMB1.4 million), respectively. For Firerock Co., the Directors consider that the consideration of approximately RMB1.0 million for the Group's 98% interest in the subsidiary, being a newly incorporated entity in 2018, was reasonable since it was based on its registered share capital of THB5 million (equivalent to approximately RMB1.1 million). For Newbie Media, the Directors consider that the consideration of approximately RMB3.2 million for the Group's 45% interest in this associate was reasonable since it was based on its registered share capital of THB35.0 million (equivalent to approximately RMB7.4 million) and the Directors are of the view that the Newbie Media will require more start-up capital for its advertising management and planning for online game in new market. The Directors are of the view that such amounts were reasonable because it paves the way for the Group's further expansion to other Asian markets.

The Directors consider the establishment of Firerock Co. would help the Group acquire first-hand relevant information in the Thai gaming market. With more efficient research and development in localisation of games, the Group can enhance the local adaptability of games. In addition, Firerock Co. enjoys various tax and non-tax incentives under Thailand's laws and regulations.

According to Thailand's promotional investment legislation established the Board of Investment ("BOI"), which offers both tax and non-tax incentives for the legal entities incorporated under the law of Thailand and is interested in investing and operating the business in accordance with a list of promoted activities.

Enterprise Software and Digital Content Development is listed as one of the promoted activities. The BOI promoted company would be entitled to receive five years exemption of Corporate Income Tax (“CIT”) on the net profit and dividends with no cap.

According to the Thai Revenue Code (“TRC”), a software license fee is considered as an assessable income and is subjected to CIT. By licensing the software to the licensee whom is a tax residence of Thailand, the licensor will be subjected to pay CIT, even though, the licensor has no entity established in Thailand. Whereby, the licensee as the payer is required to apply the flat CIT against the license fee and submit the withheld CIT amount to the revenue department on behalf of the licensor as the payee (“**Withholding Tax**”). The Withholding Tax rate ranges from 5% to 15% depending on the Double Taxation Agreement between Thailand and each contracting state (for example, 5% for Hong Kong and 15% for the PRC).

In case the Group grants a software license to the Thai customers, the Group’s license fee will be subjected to the Withholding Tax as explained above. However, the BOI’s tax incentive exempt Firerock Co. from the Withholding Tax applicable to the dividends as income generated by the promoted activity. The Group as the shareholder of Firerock Co. therefore can enjoy the dividends tax exemption up to five years, despite of a receivable license fee which is subject to the Withholding Tax.

In addition to the tax incentives, Firerock Co. is entitled to receive the non-tax incentives, for example, permit for foreign nationals to enter the country for the purposes of working under the promoted activities, or permit to take out or remit money abroad in foreign currency.

Promotion strategies such as advertisements are crucial to overseas game operations, with game advertisement being an upstream and downstream industry. Newbie Media is mainly involved in advertising management and planning for online games. The Group believes that investing in Newbie Media allows the Group to exercise more control on game promotion to enhance its overseas game operations, generate good income and lay a solid foundation for future expansion into the Thai and Southeast Asian game markets.

The Group targets to achieve the following with the above strategic move:

- (a) To expand and extend the Company’s games to overseas markets, thereby increase and diversify the Group’s revenue streams by gradually expanding the user base of the Company’s products to overseas markets;
- (b) To minimise and manage the risks associated with intense competition in the PRC game market, as well as the risks associated with adjustments to policies relating to issuance of game permits; and
- (c) To develop quality products compatible with overseas markets by recruiting local teams to conduct localised adaptations and improvements or secondary research and development for the games developed by the Group.

The Group will continue to strengthen its local presence in key markets around the world and raise its global capabilities to the next level. In addition, the Group also established a wholly-owned subsidiary in Shenzhen, the PRC, to engage in research and development of game products for the better management of the Group's game development project team.

### **Termination of three mobile game series in 2018**

Due to business realignment of game operators, the Group underwent negotiation with licensed operators and discontinued the operation of three game series on the platform of licensed operators, namely the mobile version of the Endless Battles (無盡爭霸) series in April 2018, the Legend of Fairies (萌仙記) series and the War of the Sulfulons (薩弗隆戰記) series in July 2018, which contributed respective revenue of approximately 0.2%, 0.5% and 0.3% of the total revenue for the year ended 31 December 2018.

### **Regulations on Minors Protection**

The Notice of the Ministry of Culture on Regulating Online Game Operation and Strengthening Interim and Ex Post Supervision (《文化部關於規範網絡遊戲運營加強事中事後監管工作的通知》) (the “**Notice**”) which was issued by the Ministry of Culture (文化部) (currently known as the Ministry of Culture and Tourism (文化和旅遊部)) and became effective on 1 May 2017, provides that online game operators shall fully comply with the relevant provisions of Project for Parental Monitoring of Minors in Online Games (網絡遊戲未成年人家長監護工程) (the “**Project**”). The Implementation Plan of the Project was issued on 15 January 2011 which sets out measures that online game operators should take to curb or prohibit improper in-game behavior of minors.

On 30 August 2018, the Ministry of Education (教育部), the National Health Commission (國家衛生健康委員會), the General Administration of Sport of China (國家體育總局), the Ministry of Finance (財政部), the Ministry of Human Resources and Social Security (人力資源和社會保障部), the State Administration for Market Regulation (國家市場監督管理總局), the National Press and Publication Administration (國家新聞出版署) and the NRTA jointly issued the Implementation Proposal for Comprehensively Preventing and Controlling Myopia in Children and Teenagers (《綜合防控兒童青少年近視實施方案》) (the “**Implementation Proposal**”). Pursuant to the Implementation Proposal, relevant government authorities will adopt a series of measures to enhance prevention and controlling work regarding myopia in children and teenagers. Among other things, the National Press and Publication Administration will control total number of online games, limit the number of newly introduced online games, explore age-specific reminding system and take measures to restrict the amount of time minors spent on playing online games. As advised by the PRC Legal Advisor, as of the Latest Practicable Date, no official laws and regulations have been promulgated to implement the Implementation Proposal and therefore has no direct regulatory impact on our business operations at this stage. We generally target game players who are 18 years old or above and age requirement of 18 years old or above for game players' registration to play our online games (the “**registration requirement**”) was set by our major licensed

operators whose corresponding game series contributed over 90% of our revenue for the year ended 31 December 2018. For our remaining licensed operators, they have similar registration requirement and/or anti-addiction measures such as reducing in-game incentive and/or notification of playing time, to encourage game players to restrict the amount of playing time. Based on the above, our Directors expect that there would be no material adverse impact to the Group's operation.

## **Approvals and filings for New Online Games**

### ***Delay and resumption in issuance of approvals and filings for new online games***

As advised by the PRC Legal Advisor, in accordance with the applicable PRC laws and regulations, the commercial operation of new online games, by the licensed operators, is subject to (i) the pre-approval by the NRTA which involves a two-stage process — (a) approval from NRTA at provincial level, followed by (b) final approval from NRTA at the national government level; and (ii) pre-approval (imported games) or post-filing (domestic games) within 30 days after its commercial launch with the MCT. The Central Committee of the Communist Party of China issued the “Plan for Deepening the Institutional Reform of the Party and State (深化黨和國家機構改革方案)” and the National People's Congress issued the “Institutional Reform Plan of the State Council 《國務院機構改革方案》” in March 2018 (collectively, the “Institutional Reform Plans”). According to the Institutional Reform Plans, (i) the SAPPFT is reformed and known as the NRTA under the State Council and the National Administration of Press and Publication (National Copyright Bureau) (國家新聞出版署(國家版權局)) under the Propaganda Department of the Central Committee of the CPC (中共中央宣傳部) (“PDCC”), and (ii) the MOC is reformed and known as the MCT.

It was reported by certain media that (i) the NRTA had suspended on granting new approvals for online games from April 2018 to November 2018; and (ii) the MCT closed the post-filing recording online system for domestic online games in the PRC in early June 2018, which resulted in delay in approvals and filings for the Group's new online games for the year ended 31 December 2018.

As advised by the PRC Legal Advisor, after the publication of the Institutional Reform Plans and as of the Latest Practicable Date, no government authorities, including the NRTA and the MCT, has issued or promulgated any official policy, regulation or statement in respect of (i) any suspension of pre-approval from the NRTA or post-filing with the MCT to publish and commercial launch of mobile games; and (ii) any proposed, revised or new administrative/regulatory approval procedure involving pre-approval or post-filing requirements for the publishing and commercial launch of mobile games. Subsequently, the NRTA has announced on 29 December 2018, 9 January 2019, 29 January 2019, 8 March 2019, 1 April 2019 and 10 April 2019 on its official website for the approvals granted for new online games after the reported period of suspension between April 2018 to November 2018. As at the Latest Practicable Date, the post-filing recording online system had not been reopened by the MCT. As advised by the PRC Legal Advisor, as long as all necessary registration documents compliant with the statutory requirement are submitted by the Group's licensed operators, there is no legal impediment for



completion of the post-filing procedures once such online system is reopened. As such, the Directors are of the view that the sustainability of the Group's business and future prospects would not be affected by the delay in issuance of approvals by the relevant PRC government authorities.

The Directors confirm that there was no material adverse impact to the Group's business during the suspension of approval of new online games between April and November 2018, given there was continuing development of new game series and licensing to Licensed Operators during the period. Six new games series, namely, Age of Star Wars (星戰紀), Shaky Battle (晃晃大作戰), Royal Tycoon (皇家大亨) (tentative name), Royal Fish Catching (皇家捕魚) (tentative name), Sweeties Fighting 2 (零食大亂鬥2) (tentative name) and Super Diglett Fighting (超級地鼠大亂鬥) (tentative name), were under development during the period. Our Group also authorized the licensed operator to obtain pre-approval with NRTA for Age of Star Wars (星戰紀) and Shaky Battle (晃晃大作戰) before entering into licensing agreements which were subsequently entered for these two new game series, in June 2018 and such two new games series were commercially launched in June 2018 and July 2018, respectively.

In order to minimise the risk of delay in issuance of approvals by the NRTA and the post-filing with the MCT, the Group is expected to diversify its revenue stream by launching mobile game series in overseas markets and by development of enhanced and upgraded version of existing mobile game series, which would not be subjected to corresponding registration requirement from NRTA and MCT. For details, please refer to the section headed "Recent Development Subsequent to Track Record Period" in this announcement.

#### ***Super Rich (超級大富翁) and Age of Star Wars (星戰紀) games series***

The Group's licensed operator, Shenzhen Viking, submitted applications to the NRTA for obtaining pre-approvals of Super Rich (超級大富翁) and Age of Star Wars (星戰紀) in January 2018 and May 2018, respectively. As of the Latest Practicable Date, Super Rich (超級大富翁) and Age of Star Wars (星戰紀) series of games (which were commercially launched in February 2018 and June 2018 respectively) are pending for approval from the NRTA. The Directors consider the situation was mainly attributable to the licensed operator's past failure to apprehend the importance of the pre-approval requirements from the NRTA. As per the Directors and Frost & Sullivan, the industry expert, there are similar instances in the PRC online games industry where licensed operators have commercially launched the mobile games before the pre-approvals are obtained from NRTA.

As of the Latest Practicable Date, as the MCT has yet to reopen the post-filing recording online system for domestic online games in the PRC and therefore the Group's licensed operator has yet to make filings for Super Rich (超級大富翁) and Age of Star Wars (星戰紀).

The PRC Legal Advisor of the Company is of the view that delay in approvals from the NRTA or post-filing with the MCT of Super Rich (超級大富翁) and Age of Star Wars (星戰紀) will not directly affect the legality of the Group's revenue in view of the following:

- (i) The Group is a game developer, focusing on the development of mobile and browser games and does not engage in game operation in the PRC. The responsibility to file and obtain the approval from the relevant government authorities lies with the operators or publishing entities of the online games, rather than the online games developers. The legality of the Group's licensee fees and royalties will not be affected no matter whether the game operators have obtained the approvals.
- (ii) According to the authorisation agreements for game operation signed between the Group and the licensed operators of Super Rich (超級大富翁) and Age of Star Wars (星戰紀), the Group, as the game developer, authorises the operators to operate the aforementioned games, and receives licensee fees and royalties which are calculated by the agreed ratio of operating income earned by game operators. As advised by PRC Legal Advisor, the aforementioned agreements are valid and legally binding, and the Group is entitled to receive the licensee fees and royalties once the aforementioned games are commercially operated. In view of the resuming of the granting of approvals for commercial launch of mobile games since December 2018, the Directors are of the view that delay in (i) issuance of approvals of mobile games developed by the Group from the NRTA; and (ii) the post-filing with the MCT during the year ended 31 December 2018 was only temporary, and the above registration procedures for NRTA and MCT are expected to be completed during the year ending 31 December 2019.

As of the Latest Practicable Date, our Directors confirm that there has not been any notification from the relevant licensed operators regarding any failure to obtain pre-approval or post-filing for any such mobile games from the NRTA and the MCT, respectively. In the event that such series of games are prohibited from commercial operation by the relevant government authorities, the licensing agreement with the licensed operator would be terminated and the Group would alternatively consider to modify the games series to allow commercial launch of the game series in the PRC and/or overseas market through other operators. In the event that the commercial launches of those game series are considered not feasible, the corresponding aggregated carrying values of game intellectual properties recognised under intangible assets, which amounted to approximately RMB1.0 million as at 31 March 2019, would be written off. As confirmed by the Directors, since (i) the aggregated revenue of Super Rich (超級大富翁) and Age of Star Wars (星戰紀) series of games only accounted for 3.3% and 3.7% of the Group's total revenue for the year ended 31 December 2018 and three months ended 31 March 2019, respectively; and (ii) the potential write off of intangible assets is considered insignificant and only one-off in nature, they are of the view that it would not have a material adverse impact on the Group's business and financial performance. As confirmed by the Directors, since (i) the aggregated revenue of Super Rich (超級大富翁) and Age of Star Wars (星戰紀) series of games only accounted for 3.3% and 3.7% of the Group's total revenue for the year ended 31 December 2018 and



three months ended 31 March 2019, respectively; and (ii) the potential write off of intangible assets is considered insignificant and only one-off in nature, the Directors are of the view that it would not have a material adverse impact on the Group's business and financial performance.

## RECENT DEVELOPMENT SUBSEQUENT TO TRACK RECORD PERIOD

To the best knowledge of the Directors, save as disclosed in the section headed "Recent Development — Regulations on Minors Protection and Approvals and Filings of New Online Games" announcement, based on the Group's financial information for the three months ended 31 March 2019, the Group's revenue increased by approximately 60.8% from approximately RMB32.9 million for the three months ended 31 March 2018 to approximately RMB52.9 million for the three months ended 31 March 2019. The Directors confirm that since 31 March 2019 and up to the date of this announcement, they are not aware of any recent industry or regulatory changes that may materially impact the Group's financial and operational position, in particular any unfavourable trends or developments which may have a material adverse impact on the Group's business and financial performance. In face of new laws and regulations which may be adopted or amended from time to time, the Group would continue to strengthen its research and development capability, develop game features which is conducive to the protection of game players (especially minors) and develop new games which offer high-quality gaming experience.

As at the Latest Practicable Date, the Group expect to commercially launch six mobile games series in 2019 through its licensed operators. The table below sets forth the six mobile game series under research and development as at the Latest Practicable Date:

Game title (tentative title)	Game type	Platform	Market	Project establishment date	Expected launch date	Expected lifespan
Royal Tycoon (皇家大亨)	2D leisure	Mobile	Overseas	January 2018	June 2019	two to three years
Royal Fish Catching (皇家捕魚)	Single-player leisure	Mobile	Overseas	July 2018	June 2019	two to three years
Sweetie Fighting 2 (零食大亂鬥 2)	ACT	Mobile	PRC	November 2018	June 2019	two to three years
Super Diglett Fighting (超級地鼠大亂鬥)	Strategy card game	Mobile	PRC	November 2018	August 2019	two to three years
Super Bouncy (超級彈彈彈)	Turn-based card RPG	Mobile	PRC	January 2019	November 2019	two to three years
Jungle Treasure (叢林秘寶)	Leisure strategy game	Mobile	PRC	February 2019	December 2019	two to three years

Out of the abovementioned six mobile game series, Royal Tycoon (皇家大亨) and Royal Fish Catching (皇家捕魚) are expected to be published in overseas market and not subject to any policy of the PRC on issuance of approvals for new games. For Sweeties Fighting 2 (零食大亂鬥 2), it represents an enhanced and upgraded version of one of the existing mobile game series. As advised by the PRC Legal Advisor, according to the “Notice on the Administration of Mobile Game Publication Services” (《關於移動遊戲出版服務管理的通知》), the “Interim Measures for the Administration of Online Games” (《網絡遊戲管理暫行辦法》) and relevant regulation, upgrades and revisions of a game will not be considered as a new game and will not be required to obtain approvals from the NRTA or complete post-filing with MCT again, unless such upgrades or revisions constitute substantial change in plot, content or format, or the game title, licensed operators has changed. For Super Diglett Fighting (超級地鼠大亂鬥), Super Bouncy (超級彈彈彈) and Jungle Treasure (叢林秘寶), they are expected to be published in the PRC market by the fourth quarter of 2019.

As confirmed by the Directors, the Group has no major business development which should be disclosed under the GEM Listing Rules and the Main Board Listing Rules.

## **WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the Group’s internal resources, the Group has sufficient working capital for its requirements for at least next 12 months from the date of this announcement.

## **QUARTERLY REPORTING OF FINANCIAL RESULTS**

Upon the Transfer of Listing, the Company will cease the practice of quarterly reporting of its financial results and will follow the relevant requirements of the Main Board Listing Rules which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year end, respectively. The Board is of the view that investors and Shareholders will continue to have access to relevant information of the Company following the reporting requirements under the Main Board Listing Rules.

## **SHARE OPTION SCHEME**

The Company has adopted the Share Option Scheme on 24 January 2016. Such Share Option Scheme will remain valid and effective following the Company’s Transfer of Listing and will be implemented in full compliance with Chapter 17 of the Main Board Listing Rules. As at the Latest Practicable Date, nil share options under the Share Option Scheme have been granted. Accordingly, nil Shares may be issued upon the exercise of the share options under the Share Option Scheme. The Shares issued and to be issued upon exercise of share options which may be granted and the Shares to be issued upon exercise of options which have been granted pursuant to the Share Option Scheme will be listed on the Main Board.

## SHAREHOLDING DISTRIBUTION

The Company has engaged an independent third party agent to confirm the Company's shareholding distribution. Based on the information received up to the date of this announcement and to the best knowledge of the Directors upon due inquiry, as at 15 May 2019 (being the latest practicable date for the Company to ascertain the following information prior to the Transfer of Listing), (i) the Controlling Shareholder held in aggregate 117,600,000 Shares, representing approximately 36.8% of the entire issued share capital of the Company; (ii) the public Shareholders held in aggregate 158,308,000 Shares, representing approximately 49.5% of the entire issued share capital of the Company; and (iii) there were at least 300 Shareholders<sup>(Note)</sup>. As at 15 May 2019, among the public Shareholders, (i) the three largest public Shareholders held in aggregate 46,516,000 Shares, representing approximately 29.4% of the Shares held in public hands; (ii) the top 20 public Shareholders held in aggregate 116,576,000 Shares, representing approximately 73.6% of the Shares held in public hands and 36.4% of the Shares; and (iii) the top 25 public Shareholders held in aggregate 125,426,000 Shares, representing approximately 79.2% of the Shares held in public hands and approximately 39.2% of the Shares. As at 15 May 2019, when the non-public Shareholders are included, (i) the three largest Shareholders held in aggregate 174,908,000 Shares, representing approximately 54.7% of the Shares; (ii) the top 20 Shareholders held in aggregate 268,604,800 Shares, representing approximately 83.9% of the Shares; and (iii) the top 25 Shareholders held in aggregate 280,094,000 Shares, representing approximately 87.5% of the Shares.

*Note: Based on information from the independent third party agent, for the purpose of calculating the number of Shareholders, a Shareholder who holds Shares through multiple brokerage accounts via different brokerage firms has been counted as a single Shareholder.*

## PUBLIC FLOAT

The Directors confirm that not less than 25% of the total issued share capital of the Company is held by the public (as defined in the Main Board Listing Rules) as at the date of this announcement. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

## **BIOGRAPHICAL INFORMATION OF THE DIRECTORS AND SENIOR MANAGEMENT**

The Company discloses the biographical information of each Director and senior management as follows:

### **DIRECTORS**

#### **Executive Directors and Non-executive Directors**

**Mr. Zhang Yan (張岩)**, aged 48, is the chairman and a non-executive Director. Mr. Zhang is responsible for supervising the overall management and strategy planning of the Group. Mr. Zhang has been a non-executive Director since November 2014 and was appointed as the chairman in March 2015. Mr. Zhang is also the sole director and sole shareholder of Sulfulon International Limited, the Company's Controlling Shareholder.

Mr. Zhang has over 18 years of experience in the online game industry. Prior to joining the Group, he worked as the chief executive officer of Shenzhen Domain Computer Network Company Limited (深圳網域計算機網絡有限公司) (“**Shenzhen Domain**”) from April 1997 to March 2010. He was responsible for the overall operation and management. He also oversaw the development of several MMORPGs. After that, Mr. Zhang explored his own business by investing in various companies conducting different lines of business.

Mr. Zhang is currently also a director of Fire Rock International Limited (火岩國際有限公司) (a subsidiary of the Company) and Shenzhen Fire Element (also a subsidiary of the Company).

Mr. Zhang received a diploma in computer communications from the Xidian University (西安電子科技大學) (Xi'an, the PRC) in July 1993.

As at the date of this announcement, Mr. Zhang is deemed to be interested in 117,600,000 Shares held by Sulfulon International Limited, representing approximately 36.75% of the total issued share capital of the Company, as he is interested in the entire issued share capital of Sulfulon International Limited.

Mr. Zhang has entered into a letter of appointment with the Company commencing from February 2016 for a term of three years which is subject to rotation, renewal and termination, and the term of office shall continue unless and until terminated by the Company or Mr. Zhang in accordance with the terms thereof. For the year ended 31 December 2017, the Director's emolument of Mr. Zhang amounted to approximately RMB331,000.

**Mr. Huang Yong (黃勇)**, aged 39, is the chief executive officer and an executive Director of the Company. Mr. Huang is responsible for formulating corporate and business strategies, as well as the daily operations and management of the Company. Being one of the founders of the Group, Mr. Huang was appointed as the general manager of the

Group in November 2012. He has been a Director since November 2014 and was appointed as the chief executive officer in March 2015. Mr. Huang is also the sole director and sole shareholder of Raglon International Limited, the Company's substantial Shareholder.

Mr. Huang is experienced in software development, having worked in the industry since 2001. Prior to joining the Group, Mr. Huang worked as a project leader in Shenzhen Wellhope Multimedia Company Limited\* (深圳維豪多媒體有限公司) from July 2001 to December 2003 as project manager; as a chief programming officer in Shenzhen Domain from April 2004 to April 2007, being responsible for game development; and as a general manager in Shenzhen Aoyouba Digital Interaction Technology Company Limited (深圳市敖游吧數字互動科技有限公司) (“**Shenzhen Aoyouba**”) from May 2007 to October 2010, being responsible for game development.

Mr. Huang has participated in the design and development of a number of MMORPGs from 2004 to 2010. In designing these games, Mr. Huang was mainly responsible for the development and maintenance of the server architecture, communications layer, event servers, database engine and anti-hacker systems.

Mr. Huang is currently also a director of Shenzhen Fire Element.

Mr. Huang obtained a bachelor's degree majoring in vehicle engineering from the Hunan University (湖南大學) (Changsha, the PRC) in July 2001.

As at the date of this announcement, Mr. Huang is deemed to be interested in 37,692,000 Shares held by Raglon International Limited, representing approximately 11.78% of the total issued share capital of the Company, as he is interested in the entire issued share capital of Raglon International Limited.

Mr. Huang has entered into a service agreement with the Company commencing from February 2016 for a term of three years which is subject to rotation, renewal and termination, and the term of office shall continue unless and until terminated by the Company or Mr. Huang in accordance with the terms thereof. He is entitled to an annual salary and he may receive an annual discretionary management bonus having regard to the operating results of the Group and his working performance. For the year ended 31 December 2017, the Director's emolument of Mr. Huang amounted to approximately RMB390,000.

**Mr. Wu Zhe (吳哲)**, aged 39, is the chief planning officer and an executive Director. Mr. Wu is responsible for formulating corporate and business strategies, strategic planning and development of all games. Being one of the founders of the Group, Mr. Wu has worked as vice president of Shenzhen Fire Element, being responsible for game development since March 2011. He has been a Director since November 2014 and was appointed as the chief planning officer in March 2015.



Mr. Wu is experienced in game development. Prior to joining the Group, from October 2004 to January 2011, Mr. Wu worked at Shenzhen Domain as the chief designer and producer, and participated in the development of a number of online games.

Mr. Wu is currently also a director of Shenzhen Fire Element.

Mr. Wu obtained a bachelor's degree in material science and engineering from the Shenzhen University (深圳大學) (Shenzhen, the PRC) in July 2002 and a master's degree in software engineering from the South China University of Technology (華南理工大學) (Guangzhou, the PRC) in July 2004.

As at the date of this announcement, Mr. Wu is deemed to be interested in 3,200,000 Shares held by R&P Global Limited, representing approximately 1.00% of the total issued share capital of the Company, as he is interested in the entire issued share capital of R&P Global Limited.

Mr. Wu has entered into a service agreement with the Company commencing from February 2016 for a term of three years which is subject to rotation, renewal and termination, and the term of office shall continue unless and until terminated by the Company or Mr. Wu in accordance with the terms thereof. He is entitled to an annual salary and he may receive an annual discretionary management bonus having regard to the operating results of the Group and his working performance. For the year ended 31 December 2017, the Director's emolument of Mr. Wu amounted to approximately RMB330,000.

**Mr. Rao Zhenwu (饒振武)**, aged 37, is the chief technology officer and an executive Director. Mr. Rao is responsible for formulating corporate and business strategies in relation to the development and operation of online games as well as research and planning of new technology. Being one of the founders of the Group, Mr. Rao has worked as the chief technology officer of Shenzhen Fire Element since March 2011. He has been a Director since November 2014 and was appointed as the chief technology officer in March 2015.

Mr. Rao possesses over 10 years of extensive experience in software and server development and system maintenance. Prior to joining the Group, he worked as an information technology officer being responsible for graphic design and internet maintenance and operation at Ningbo Oulitai Electronic Technology Company Limited (寧波歐利泰電子科技公司) from July 2003 to April 2004. Mr. Rao worked in Shenzhen Qiming Software Company Limited\* (深圳啟明軟件有限公司) from May 2004 to August 2005; in Shenzhen Domain from February 2006 to May 2007; and in Shenzhen Aoyouba from May 2007 to October 2010, as a software engineer responsible for software and game development. Mr. Rao is currently also a director of Shenzhen Fire Element.

Mr. Rao obtained a bachelor's degree in metallic material engineering from the Harbin University of Science and Technology (哈爾濱理工大學) (Harbin, the PRC) in July 2003.

As at the date of this announcement, Mr. Rao is deemed to be interested in 3,200,000 Shares held by Meteor Technology International Limited, representing approximately 1.00% of the total issued share capital of the Company, as he is interested in the entire issued share capital of Meteor Technology International Limited.

Mr. Rao has entered into a service agreement with the Company commencing from February 2016 for a term of three years which is subject to rotation, renewal and termination, and the term of office shall continue unless and until terminated by the Company or Mr. Rao in accordance with the terms thereof. He is entitled to an annual salary and he may receive an annual discretionary management bonus having regard to the operating results of the Group and his working performance. For the year ended 31 December 2017, the Director's emolument of Mr. Rao amounted to approximately RMB331,000.

**Ms. Yang Kan (楊侃)**, aged 42, was appointed as a non-executive Director on 30 June 2017. Ms. Yang has worked in the marketing industry for over 10 years. She worked at China Eastern Airlines from 2003 to 2012 and was promoted to manager. She was responsible for human resources management and corporate image promotions during which she gained extensive knowledge in corporate operations management. From February 2015 to August 2015, she worked as an executive director of China 33 Media Group Limited (中國三三傳媒集團有限公司), which is listed on GEM of the Stock Exchange (Stock Code: 8087). Ms. Yang graduated from the Huazhong University of Science and Technology (華中科技大學) with a bachelor's degree in international economics and trade through distance learning in June 2006.

Ms. Yang has entered into a letter of appointment with the Company commencing from June 2017 for a term of three years which is subject to rotation, renewal and termination, and the term of office shall continue unless and until terminated by the Company or Ms. Yang in accordance with the terms thereof. She is entitled to an annual salary. For the year ended 31 December 2017, the Director's emolument of Ms. Yang amounted to approximately HK\$78,000.

#### **Independent Non-executive Directors**

**Mr. Chan King Fai (陳京暉)**, aged 48, was appointed as an independent non-executive Director on 24 January 2016.

Mr. Chan has over 15 years of experience in accounting, taxation and company secretarial service. He is a practising certified public accountant in Hong Kong and is currently a partner of Lau Chan and Company, Certified Public Accountants.

From August 2011 to July 2015, Mr. Chan was an independent non-executive director of Heng Fai Enterprises Limited (with its name changed to ZH International Holdings Limited (正恒國際控股有限公司) in July 2015), which is listed on the Main Board (Stock code: 0185). Since March 2008, he has been an executive director of Promotion



Technology Limited, which provides company secretary services in Hong Kong. Since May 2017, he has been an independent non-executive director of Singapore eDevelopment Limited, which is listed on the Singapore Exchange Limited.

Mr. Chan obtained a master's degree in business administration from The University of Warwick (the United Kingdom) in April 2007 and a master's degree in accountancy from The Chinese University of Hong Kong (Hong Kong) in December 2000. He is a fellow member of the Association of Chartered Certified Accountants since July 2002, an associate member of the Hong Kong Institute of Certified Public Accountants since January 1998, an associate member of The Taxation Institute of Hong Kong since July 2000, an associate member of The Hong Kong Institute of Chartered Secretaries since June 2006 and an associate member of The Institute of Chartered Secretaries and Administrators since June 2006. Mr. Chan is currently a Certified Tax Adviser in Hong Kong.

Mr. Chan has entered into a letter of appointment with the Company commencing from February 2016 for a term of three years which is subject to rotation, renewal and termination, and the term of office shall continue unless and until terminated by the Company or Mr. Chan in accordance with the terms thereof. He is entitled to an annual salary. For the year ended 31 December 2017, the Director's emolument of Mr. Chan amounted to approximately HK\$143,000.

**Mr. He Yunpeng (何雲鵬)**, aged 43, was appointed as an independent non-executive Director on 24 January 2016.

Mr. He has extensive management experience in the software industry. From August 2003 to September 2009, Mr. He established Shanghai Wangdun Information Technology Company Limited\* (上海網盾信息技術有限公司, “**Shanghai Wangdun**”), and had been its executive director since its establishment. From September 2008 to August 2011, he worked as a senior marketing controller of Fujian Tianqing Digital Company Limited\* (福建天晴數碼有限公司), being responsible for game development. From August 2011 to August 2012, Mr. He was allocated to Fujian Borui Network Technology Company Limited\* (福建博瑞網絡科技有限公司) and was responsible for the development and operation management of a community website for smartphone users, 91.com (百度91無線). Since August 2012, Mr. He has been a general manager of Jiangsu Bode Websoft Technology Company Limited (江蘇博得網絡科技有限公司), which focuses on the development and operation of mobile software products in the PRC. In April 2014, Mr. He established Chengdu Tianxiang Interaction Technology Company Limited (成都天象互動科技有限公司, “**Chengdu Tianxiang**”) with others and has been its executive director and general manager since its establishment. As of the Latest Practicable Date, Mr. He held 99% shareholding interest in Chengdu Tianxiang. The business scope of Chengdu Tianxiang is the design and sales of computer hardware, the development of software, design of animations and corporate management consultations.

Mr. He obtained a bachelor's degree of engineering (majoring in architecture engineering) from the Shanghai Jiao Tong University (上海交通大學) (Shanghai, the PRC) in July 1998.

Mr. He has entered into a letter of appointment with the Company commencing from February 2016 for a term of three years which is subject to rotation, renewal and termination, and the term of office shall continue unless and until terminated by the Company or Mr. He in accordance with the terms thereof. He is entitled to an annual salary. Mr. He agreed not to receive any Director's emolument for the year ended 31 December 2016 and 31 December 2017.

***Revocation of business license of Shanghai Wangdun when Mr. He was a director***

Mr. He established Shanghai Wangdun with an Independent Third Party in August 2003 and had held the position of executive director since its establishment. The business scope of Shanghai Wangdun is the development, sales, consultation and provision of services in relation to the internet and electronic and telecommunications devices. In or around 2009, due to other business commitments, Mr. He and his business partner determined not to continue to operate Shanghai Wangdun. As confirmed by Mr. He, Shanghai Wangdun has since then become inactive, but Mr. He and his business partner overlooked the relevant requirements and did not procure Shanghai Wangdun to undertake its annual inspection to verify its qualification afterwards. Thus, the business license of Shanghai Wangdun was revoked on 24 February 2009. Mr. He has further confirmed that there were no outstanding litigations instigated against Shanghai Wangdun. In February 2015, the shareholders of Shanghai Wangdun resolved to deregister Shanghai Wangdun.

Based on the aforesaid, the Directors are of the view that the revocation of business license of Shanghai Wangdun did not involve any dishonesty on the part of Mr. He, which would otherwise cast doubt on his integrity and competency as well as his suitability to act as a Director under Rules 3.08 and 3.09 of the Main Board Listing Rules.

**Mr. Chen Di (陳迪)**, aged 39, was appointed as an independent non-executive Director on 30 June 2017.

Mr. Chen has worked in the banking, finance and securities industry for over 8 years with extensive assets management experience. He worked in the securities department of Overseas Chinese Town Group from July 2004 to August 2010, and participated in the merger and reorganisation matters of its subsidiary companies. Then, he established Shenzhen Qianhai Xiaobai Interactive Capital Management Limited\* (深圳前海小白互動資本管理有限公司) in December 2014. He also invested in enterprises such as Shenzhen Zhuohua Network and Technology Limited\* (深圳市灼華網絡科技有限公司) and Beijing Dingdong Lemon Science and Technology Limited\* (北京叮咚檸檬科技有限公司). In addition, he established Shenzhen Xiaobai Zhitong Equity Investment Partnership (Limited Partnership)\* (深圳市小白志同股權投資合夥企業(有限合夥)) in February 2016

and successfully got the copyright of the brand buzzy bee in the PRC. Mr. Chen obtained a bachelor's degree in e-commerce awarded by the Liaoning Science and Technology University (遼寧科技大學) in June 2004. He also obtained a master's degree in applied psychology awarded by Peking University (北京大學) in July 2010.

Mr. Chen has entered into a letter of appointment with the Company commencing from June 2017 for a term of three years which is subject to rotation, renewal and termination, and the term of office shall continue unless and until terminated by the Company or Mr. Chen in accordance with the terms thereof. He is entitled to an annual salary. For the year ended 31 December 2017, the Director's emolument of Mr. Chen amounted to approximately HK\$78,000.

## SENIOR MANAGEMENT

**Mr. Wei Dong (衛東)**, aged 50, is the chief financial officer. Mr. Wei is responsible for the daily management and operations; assisting the chief executive officer in financial planning and administration of the Board's matters. Mr. Wei joined the Group in September 2014 as the chief financial officer of Shenzhen Fire Element. In March 2015, Mr. Wei was appointed as the chief financial officer and joint company secretary of the Company.

Mr. Wei possesses over 27 years of experience in the accounting and finance industry. Mr. Wei commenced his career as an accounting and finance staff at the Shaanxi Aircraft Manufacturing Corporation\* (陝西飛機製造公司) in August 1988. The company was restructured in 1999 as Shaanxi Aircraft Industry (Group) Corporation Ltd.\* (陝西飛機工業(集團)有限公司). He was responsible for accounting and auditing works and worked there until May 1996. Mr. Wei then worked as an auditing staff in Shenzhen Tianjian Xinde Accounting Firm\* (深圳天健信德會計師事務所), being responsible for accounting and auditing works from August 1996 to October 2001; as chief auditor and partner in Shenzhen Changcheng Accounting Firm Company Limited\* (深圳市長城會計師事務所有限公司) from November 2001 to September 2009 and from June 2012 to May 2013; and as a senior audit manager from October 2009 to April 2012. Mr. Wei worked as the chief financial officer in Hangzhou Green Valley\* (杭州綠谷) from June 2013 to August 2014, being responsible for financial control and corporate finance.

Mr. Wei is currently a director of Fire Rock International (HK) Limited and Shenzhen Fire Element.

Mr. Wei obtained a college diploma of accounting from Shaanxi Financial and Economic Institute\* (陝西財經學院) (Xi'an, the PRC) (i.e. the School of Finance and Economics of Xi'an Jiaotong University (西安交通大學經濟與金融學院)) in December 1993. Mr. Wei is a Certified Public Accountant (中國註冊會計師) of the Chinese Institute of Certified Public Accountants since October 1999.

**Mr. Yuan Zhen (袁臻)**, aged 31, is the chief marketing officer. Upon joining the Group in 2017, Mr. Yuan worked as the chief marketing officer of Shenzhen Fire Element. Mr. Yuan is responsible for the management of marketing and maintenance during the operation of game product, as well as the monitoring of intellectual property and assisting the chief product officer in project management.

Mr. Yuan possesses over seven years of experience in the computing industry. From November 2011 to May 2013, Mr. Yuan worked at Xi'an Green Valley Network Technology Company Limited\* (西安綠谷網絡技術有限公司) and was responsible for the operation and management of a client game, the Dragon Legend\* (龍之傳奇) series. From June 2013 to December 2015, he acted as an operational officer at Shenzhen Jiatang Network Technology Limited Company\* (深圳市嘉堂網絡科技有限公司) and was responsible for the operation and management of a mobile game, the Monkey King\* (全民西遊系列) series. From December 2015 to May 2016, he worked at qianz.com in Shenzhen as an operational officer and participated in the strategic plan matters of the company.

Mr. Yuan obtained a diploma in e-commerce from Xi'an Technological College\* (西安工業科技學院) in June 2011 and a diploma in business administration from Dalian University of Technology (大連理工大學) in July 2015.

**Mr. Xiang Bin (向斌)**, aged 36, is the chief information officer. Mr. Xiang is responsible for the maintenance of databases and systems, and assisting the chief technology officer in the research and development of new technology. Mr. Xiang joined the Group in December 2011 as chief database officer of Shenzhen Fire Element.

Mr. Xiang possesses over 9 years of experience in the computing industry. From April 2006 to April 2007, Mr. Xiang worked at Beijing Network Technology Development Company Limited\* (北京新網科技發展有限公司) and was responsible for the development of web pages in the IT industry. Mr. Xiang worked at Shenzhen Domain from December 2007 to April 2011 and was responsible for the development of web pages and databases, together with the design of the webpage framework.

Mr. Xiang obtained a diploma of computer information management from Hunan International Economics University (湖南涉外經濟學院) (Changsha, the PRC) in June 2004 and a diploma in computer application technology from Hunan University of Science and Technology (湖南科技大學) (Xiangtan, the PRC) in July 2014.

He also participated in the Tests of the National Computer Information Technology\* (全國計算機信息高新技術考試) in 2003 and 2006, attaining level four of National Occupational Qualification\* (國家職業資格四級) for image and graphic treatment (Photoshop system) and level three of National Vocational Qualifications\* (國家職業資格三級) for computer programming respectively.

Save as disclosed above, none of the Directors and senior management (i) has held any other position with the Group and any directorship in any other listed companies in Hong Kong or overseas in the last three years; (ii) as at the date of this announcement, has any interest in the Shares which is required to be disclosed under Part XV of the SFO; (iii) has any relationships with any Directors, senior management, substantial Shareholders or Controlling Shareholder of the Company; and (iv) has any other information which needs to be brought to the attention of the Shareholders or is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules and the Board is not aware of any other matter that needs to be brought to the attention of the Shareholders.

## **COMPETING INTERESTS**

As at the date of this announcement, none of the Directors or Controlling Shareholder or their respective close associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to Rules 8.10(1) and 8.10(2) of the Main Board Listing Rules.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for viewing on the websites of the Company at [www.firerock.hk](http://www.firerock.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk):

- (a) the memorandum of association and the articles of association of the Company;
- (b) the first quarterly report of the Company for the three months ended 31 March 2019;
- (c) the annual report of the Company for the year ended 31 December 2018;
- (d) the third quarterly report of the Company for the nine months ended 30 September 2018;
- (e) the interim report of the Company for the six months ended 30 June 2018;
- (f) the first quarterly report of the Company for the three months ended 31 March 2018;
- (g) the annual report of the Company (including the directors' report and the annual accounts) for the year ended 31 December 2017;
- (h) the circular of the Company dated 16 May 2018 in relation to the general mandates to issue and repurchase Shares and re-election of Directors;
- (i) the circular of the Company dated 1 June 2017 in relation to the general mandates to issue and repurchase Shares and re-election of Directors; and



- (j) a copy of each of the announcement and other corporate communication made by the Company before the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

## DEFINITIONS

In this announcement, the following expressions have the respective meanings set out below unless the context requires otherwise:

“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
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“Company”	Fire Rock Holdings Limited (火岩控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM (Stock code: 8345)
“Controlling Shareholder”	has the meaning ascribed thereto in the GEM Listing Rules or Main Board Listing Rules, and in the context of this announcement, refers to Sulfulon International Limited and Mr. Zhang Yan
“Director(s)”	director(s) of the Company
“EUR”	the lawful currency of the Euro Zone
“Firerock Co.”	Firerock Co., Ltd., a company incorporated in Thailand with limited liability and is held as to 98% by the Group, 1% by Mr. He Peng (賀鵬) and 1% by Mr. Yongqiang Ma (馬永強) as at the date of this Announcement
“Frost & Sullivan”	Frost & Sullivan Limited, the industry expert of the Company
“Frost & Sullivan Report”	an independent study report commission by us and prepared by Frost & Sullivan on game developing market

“GEM”	GEM of the Stock Exchange
“GEM Listing”	the listing of the Shares on GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange, as amended from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries from time to time
“H5”	a markup language used for structuring and presenting content on the world wide web, which is the fifth and current major version of the HTML standard
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual(s) or company(ies) who or which is/are not connected with any Directors, chief executive or substantial Shareholders of the Company, its subsidiaries or any of their respective associates
“Latest Practicable Date”	12 June 2019, being the latest practicable date prior to the issue of this announcement for ascertaining certain information in this announcement
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“MCT”	the Ministry of Culture and Tourism of the PRC (文化和旅遊部)
“MMORPG”	massively multiplayer online role-playing games, in which many players participate in the same role-playing game simultaneously



“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
“Newbie Media”	Newbie Media Co. Ltd, a company incorporated in Thailand with limited liability and is held as to 51% by Ms. Suksom Sirichotiwong, 45% by the Group and 4% by Mr. Yongqiang Ma (馬永強) as at the date of this Announcement
“NRTA”	the National Radio and Television Administration of the PRC (國家廣播電視總局)
“Placing”	the placing of 40,000,000 Shares for the listing of the Shares on GEM as set out in the Prospectus
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“PRC EIT Law”	The Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法)
“PRC Legal Advisor”	Shu Jin Law Firm, the legal advisor to the Company as to PRC laws
“Prospectus”	the prospectus of the Company dated 29 January 2016
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 24 January 2016, the principal terms of which are summarised in the subsection headed “F. Other information — 1. Share Option Scheme” in Appendix V to the Prospectus
“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 on 17 March 2011 and an indirect wholly-owned subsidiary of the Company
“Sole Sponsor”	Kingsway Capital Limited, a corporation licensed by the Securities and Future Commission to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor for the Transfer of Listing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“THB”	Thai baht, the lawful currency of Thailand
“Track Record Period”	the three years ended 31 December 2018 and the three months ended 31 March 2019
“Transfer of Listing”	the transfer of listing of the Shares from GEM to the Main Board pursuant to Chapter 9A of the Main Board Listing Rules
“USD”	United States dollars, the lawful currency of the United States
“*”	for identification only

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

Hong Kong, Wednesday, 19 June 2019

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Main Board Listing Rules and GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and*

*complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the GEM website at [www.hkgem.com](http://www.hkgem.com), in the case of this announcement, on the "Latest Company Announcements" page for at least seven days from the day of its posting. This announcement will also be published on the Company's website at [www.firerock.hk](http://www.firerock.hk).*