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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: 1909)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS (UNAUDITED)

- For the six months ended 30 June 2019, the Group's revenue increased approximately 59.9% from approximately RMB64.3 million for the six months ended 30 June 2018 to approximately RMB102.8 million.
- For the six months ended 30 June 2019, the Group's gross profit increased approximately 71.0% from approximately RMB56.3 million for the six months ended 30 June 2018 to approximately RMB96.3 million.
- For the six months ended 30 June 2019, the Group's profit increased approximately 66.1% from approximately RMB36.9 million for the six months ended 30 June 2018 to approximately RMB61.3 million.
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

INTERIM RESULTS (UNAUDITED)

The board of Directors (the “**Board**”) of the Company hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019 (the “**Reporting Period**”) together with the comparative figures for the six months ended 30 June 2018 (the “**Corresponding Period in 2018**”). Such results have been reviewed by the audit committee of the Company.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)**
FOR THE SIX MONTHS ENDED 30 JUNE

	<i>Notes</i>	2019 RMB (unaudited)	2018 RMB (unaudited)
Revenue	4	102,823,278	64,320,089
Direct costs		<u>(6,538,023)</u>	<u>(8,032,666)</u>
Gross profit		96,285,255	56,287,423
Other income	4	2,665,580	660,008
Game research costs		(170,015)	(300,085)
Distribution costs		(588,438)	(401,141)
Administrative expenses		(17,269,950)	(8,085,617)
Finance costs		(91,358)	—
Operating profit		80,831,074	48,160,588
Share of profit/(loss) from investments accounted for using equity accounting		<u>394,463</u>	<u>(32,895)</u>
Profit before income tax	5	81,225,537	48,127,693
Income tax expense	6	(19,932,694)	(11,188,359)
Profit for the period		61,292,843	36,939,334
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of foreign operations		<u>722,533</u>	<u>(297,092)</u>
Other comprehensive income for the period		<u>722,533</u>	<u>(297,092)</u>
Total comprehensive income for the period		<u>62,015,376</u>	<u>36,642,242</u>
Profit for the period attributable to:			
Owners of the Company		61,340,920	36,952,070
Non-controlling interests		(48,077)	(12,736)
		<u>61,292,843</u>	<u>36,939,334</u>
Total comprehensive income attributable to:			
Owners of the Company		62,067,404	36,655,036
Non-controlling interests		(52,028)	(12,794)
		<u>62,015,376</u>	<u>36,642,242</u>
Earnings per share		RMB cents	RMB cents
Basic and diluted	8	<u>19.17</u>	<u>11.55</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)**

	<i>Notes</i>	As at 30 June 2019 RMB (unaudited)	As at 31 December 2018 RMB (audited)
Non-current assets			
Property, plant and equipment	9	1,667,494	1,506,674
Intangible assets	10	12,087,144	7,602,162
Right-of-use assets		2,394,434	—
Investments accounted for using equity method	11	3,259,594	2,451,697
		19,408,666	11,560,533
Current assets			
Trade receivables	12	68,467,270	64,194,508
Prepayments, deposits and other receivables		964,329	733,200
Cash and cash equivalents	13	191,780,474	136,782,849
		261,212,073	201,701,557
Current liabilities			
Other payables and accruals	14	9,997,199	5,062,681
Deferred revenue	15	413,388	954,666
Dividend payables		21,111,840	—
Lease liabilities		2,339,016	—
Tax payables		6,882,901	6,129,047
		40,744,344	12,146,394
Net current assets		220,467,729	189,564,163
Total assets less current liabilities		239,876,395	201,124,696
Non-current liabilities			
Deferred revenue	15	—	65,752
Lease liabilities		55,418	—
Deferred tax liabilities		6,200,000	8,900,000
		6,255,418	8,965,752
Net assets		233,620,977	192,158,944
Equity			
Share capital	16	2,669,060	2,669,060
Reserves		231,039,334	189,525,273
Equity attributable to owners of the Company		233,708,394	192,194,333
Non-controlling interests		(87,417)	(35,389)
Total equity		233,620,977	192,158,944

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. GENERAL INFORMATION

Fire Rock Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 3 November 2014. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business in the People's Republic of China (the “**PRC**”) is located at 4/F, Dongjiang Environment Building, No.9 Langshan Road, North Zone, Hi-Tech Industries Park, Nanshan District, Shenzhen, Guangdong Province, the PRC.

The Shares of the Company were listed on GEM of Hong Kong on 18 February 2016. Upon the approval of the Stock Exchange on 19 June 2019, the Shares of the Company are listed on the Main Board and delisted from GEM on 27 June 2019 (last trading date being 26 June 2019).

The Company is an investment holding Company. The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in browser and mobile games development, including the game design, programming and graphics and licensing of its games in the PRC and overseas markets.

The condensed consolidated statement of financial position as at 30 June 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows of the Group, as well as a summary of significant accounting policies and other explanatory information (collectively, the “**Interim Condensed Financial Statements**”) are unaudited, but have been reviewed by the audit committee of the Company and approved for issue by the board of directors on 26 August 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Condensed Financial Statements for the six months ended 30 June 2019 has been prepared in accordance with the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which are effective for the Group’s financial year beginning 1 January 2019, the accounting policies applied in preparing this unaudited Interim Condensed Financial Statements for the six months ended 30 June 2019 are consistent with those of the annual financial statements for the year ended 31 December 2018 issued by the Company on 19 March 2019, as described in those annual financial statements except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019. The Interim Condensed Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018.

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

The unaudited Interim Condensed Financial Statements has been prepared on the historical cost basis. The Interim Condensed Financial Statements are presented in Renminbi (“**RMB**”) except when otherwise indicated.

HKFRS 16 Leases (“HKFRS 16”)

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 Interim Condensed 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.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in the condensed consolidated statement of profit or loss and other comprehensive income over the lease period on a straight-line basis. The Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease.

On adoption of HKFRS 16, the Group recognised the full lease liabilities in relation to leases which had previously been classified as operating leases if they meet certain criteria set out in HKFRS 16. These liabilities were subsequently measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of respective entities. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance costs will be charged to the condensed consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred using effective interest method.

At the inception of a contract that contains a lease component, as a lessee, the Group should allocate the consideration in the contract to each lease component on the basis of their relative stand-alone price. The Group, as a lessee, assessed its leases for non-lease components and separated non-lease components from lease components for certain classes of assets if the non-lease components were material.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by certain items as set out in below. The right-of-use assets were recognised in the condensed consolidated statement of financial position.

Depreciation was charged on a straight-line basis over the shorter of the asset’s useful life and the lease term.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Impacts on the transition

As at 1 January 2019, lease liabilities were measured at the present value of the remaining lease payments, discounted using its incremental borrowing rate. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75%.

RMB

Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	3,027,689
Discounted using the incremental borrowing rate at 1 January 2019	<u>2,667,161</u>
Lease liabilities recognised at 1 January 2019	<u><u>2,667,161</u></u>

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating lease, the Group recognised RMB2,667,161 of right-of-use assets and RMB2,667,161 of lease liabilities as at 1 January 2019.

Impacts for the period

In relation to those leases under HKFRS 16, the Group has recognised depreciation and interest expense, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised RMB1,280,142 and RMB91,358 of depreciation expense on right-of-use assets and interest expense on lease liabilities respectively.

Significant accounting policies

From 1 January 2019 onwards, the Group has adopted the following accounting policies on leases:

The Group as lessee

Leases are initially recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the condensed consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Assets leased to the Group and the corresponding liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the Group, as a lessee, exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental borrowing rate of respective entities. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs.

3. SEGMENT INFORMATION

(a) Reportable Segments

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

(b) Geographic Information

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

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

Revenue from licensed operators		
For the six months ended 30 June		
	2019	2018
	RMB	RMB
	(unaudited)	(unaudited)
The PRC (place of domicile)	102,261,934	63,863,306
North America	13,038	—
Japan	165,699	240,227
Taiwan	70,682	62,851
Germany	311,925	153,705
	102,823,278	64,320,089
Timing of revenue recognition		
Over time	529,947	970,669
At a point in time	102,293,331	63,349,420
	102,823,278	64,320,089

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

For the six months ended 30 June		
	2019	2018
	RMB	RMB
	(unaudited)	(unaudited)
Licensed operator A	86,448,990	52,432,767
Licensed operator B	—	7,365,321
Licensed operator C	12,458,809	—
	98,907,799	59,798,088

4. REVENUE AND OTHER INCOME

	For the six months ended 30 June	
	2019	2018
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
Revenue		
License fees and royalties	<u>102,823,278</u>	<u>64,320,089</u>
Other income		
Interest income	1,081,706	618,938
Government grants	1,575,200	—
Others	<u>8,674</u>	<u>41,070</u>
	<u>2,665,580</u>	<u>660,008</u>

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	For the six months ended 30 June	
	2019	2018
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
Depreciation of plant and equipment*	387,689	522,550
Depreciation of right-of-use assets** (<i>Note</i>)	1,280,142	—
Amortisation of intangible assets**	2,031,545	3,018,734
Operating lease rentals in respect of land and buildings (<i>Note</i>)	—	1,257,042
Operating lease rentals in respect of servers	39,920	149,905
Exchange loss, net	1,228,572	176,652
Employee costs (including directors' remuneration)	<u>9,601,152</u>	<u>9,644,140</u>

* Included in distribution costs and administrative expenses in the condensed consolidated statement of profit or loss and other comprehensive income.

** Included in direct costs in the condensed consolidated statement of profit or loss and other comprehensive income.

Note: The Group has initially applied HKFRS 16 at 1 January 2019. In applying HKFRS 16, in relation to those leases that were classified as operating leases, the Group has recognised depreciation on right-of-use assets and interest expense on lease liabilities, instead of operating lease expense (see Note 2). During the six months ended 30 June 2019, in relation to those lease, the Group recognised RMB1,280,142 and RMB91,358 of depreciation expense on right-of-use assets and interest expense on lease liabilities respectively.

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2019	2018
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
PRC Enterprise Income Tax (“EIT”)	13,732,694	7,788,359
Deferred tax	6,200,000	3,400,000
	<u>19,932,694</u>	<u>11,188,359</u>

No Hong Kong Profits Tax was provided as the Group has no estimated assessable profit derived from or arising in Hong Kong during the six months ended 30 June 2019 and 2018.

Provision for the EIT in the PRC is calculated at the statutory tax rate of 25% of the estimated assessable profits in accordance with the relevant income tax law of the PRC.

Shenzhen Fire Element Network Technology Company Limited (“**Shenzhen Fire Element**”) was qualified as a “Hi-Tech Enterprise” (“**Hi-Tech Enterprise**”) in 2018. Pursuant to the PRC EIT Law, it is subject to a preferential rate of 15%. Therefore, the effective income tax rate of Shenzhen Fire Element for the six months ended 30 June 2019 and 2018 was 15%.

During the six months ended 30 June 2019, Shenzhen Fire Element Network Science and Technology Company Limited was qualified as Small Low-Profit Enterprise (小型微利企業) in the PRC. If it has net profit less than RMB1 million, it is entitled to 75% reduction on the net assessable profits, and if it has net profit more than RMB1 million but less than RMB3 million, it is entitled to 50% reduction on the net assessable profits followed by a preferential corporate tax rate of 20%.

Firerock Co., Ltd., (“**Firerock**”) is a subsidiary incorporated in Thailand and it is generally subject to corporate income tax at 20% of net profit. However, small business, paid-up capital less than Thai Baht (“**THB**”) 5 million, is entitled to a rate reduction. If it has net profit more than THB 3 million, the corporate income tax rate is 20%. If it has net profit more than THB 300 thousand but less than THB 3 million, the corporate income tax rate is 15%. It is exempted from the corporate income tax if net profit is less than THB 300 thousand.

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

7. DIVIDENDS

On 26 March 2018, a final dividend, in the form of a cash dividend of HK\$0.125 per share (equivalent to approximately RMB0.103 per share) and bonus shares on the basis of 1 share for every share, in respect of the year ended 31 December 2017 has been proposed by the Board and is approved by the shareholders in the annual general meeting held on 22 June 2018 for implementation.

On 19 March 2019, a final dividend, in the form of a cash dividend of HK\$0.075 per share (equivalent to approximately RMB0.066 per share) in respect of the year ended 31 December 2018 has been proposed by the Board and is approved by the shareholders in the annual general meeting held on 19 June 2019.

Save as disclosed above, the Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to owners of the Company of approximately RMB61.3 million for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately RMB37.0 million) and the weighted average number of 320,000,000 ordinary shares (six months ended 30 June 2018: 320,000,000 ordinary shares after the bonus issue in 2018) in issue during the period.

The weighted average number of ordinary shares used in the calculation of earnings per share for the six months ended 30 June 2018 has been adjusted to reflect the bonus issue which was completed on 22 June 2018.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the six months ended 30 June 2019 and 2018.

9. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 June 2019, purchases of related equipment by the Group was RMB0.6 million (for the six months ended 30 June 2018: approximately RMB0.4 million).

10. INTANGIBLE ASSETS

For the six months ended 30 June 2019, additional development cost of the Group was approximately RMB6.5 million (for the six months ended 30 June 2018: RMB4.2 million).

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

			As at 30 June 2019 RMB (unaudited)	As at 31 December 2018 RMB (audited)	
Share of net assets			<u>3,259,594</u>	<u>2,451,697</u>	
Name	Place of incorporation and operation	Registered and issued capital	Percentage of interest held as at 30 June 2019	Percentage of interest held as at 31 December 2018	Principal business
Newbie Media Co., Ltd	Thailand	THB35,000,000	45%	45%	Advertising management and planning for online game

12. TRADE RECEIVABLES

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

	As at 30 June 2019 <i>RMB</i> (unaudited)	As at 31 December 2018 <i>RMB</i> (audited)
0–30 days	19,463,120	17,864,763
31–60 days	18,304,261	16,118,351
61–90 days	14,831,811	16,611,439
91–120 days	14,035,714	12,907,026
More than 120 days	1,832,364	692,929
	<u>68,467,270</u>	<u>64,194,508</u>

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

	As at 30 June 2019 <i>RMB</i> (unaudited)	As at 31 December 2018 <i>RMB</i> (audited)
Neither past due nor impaired	66,634,906	63,501,579
Past due for less than 30 days	216,792	90,030
Past due for more than 30 days but less than 60 days	249,707	78,547
Past due for more than 60 days but less than 120 days	502,361	120,645
Past due for more than 120 days but less than 1 year	584,951	240,851
Past due for more than 1 year	278,553	162,856
	<u>68,467,270</u>	<u>64,194,508</u>

Receivables that were neither past due nor impaired related to licensed operators for whom there was no recent history of default. Receivables that were past due but not impaired related to other licensed operators with long business relationship. No impairment allowance was provided as there has not been a significant change in credit quality based on historical experience (31 December 2018: Nil).

The Group does not hold any collateral over these balances.

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

	As at 30 June 2019 <i>RMB</i> (unaudited)	As at 31 December 2018 <i>RMB</i> (audited)
Cash at banks and in hand	61,746,115	88,020,849
Short-term bank deposits with original maturity of less than three months	<u>130,034,359</u>	<u>48,762,000</u>
Cash and cash equivalents	<u><u>191,780,474</u></u>	<u><u>136,782,849</u></u>

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

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

14. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2019 <i>RMB</i> (unaudited)	As at 31 December 2018 <i>RMB</i> (audited)
Accruals	6,371,603	2,295,070
Other payables	<u>3,625,596</u>	<u>2,767,611</u>
	<u><u>9,997,199</u></u>	<u><u>5,062,681</u></u>

15. DEFERRED REVENUE

	As at 30 June 2019 <i>RMB</i> (unaudited)	As at 31 December 2018 <i>RMB</i> (audited)
Deferred license fees		
— Current	413,388	954,666
— Non-current	<u>—</u>	<u>65,752</u>
	<u><u>413,388</u></u>	<u><u>1,020,418</u></u>

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

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

16. SHARE CAPITAL

	2019	
	Number	Amount RMB
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 January 2018, 31 December 2018 and 30 June 2019	<u>500,000,000</u>	<u>4,199,383</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 January 2018 (audited)	160,000,000	1,347,236
Issuance of bonus shares (<i>Note</i>)	<u>160,000,000</u>	<u>1,321,824</u>
At 31 December 2018 and 30 June 2019 (unaudited)	<u>320,000,000</u>	<u>2,669,060</u>

Note

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

MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors of Fire Rock Holdings Limited is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries for the six months ended 30 June 2019. The interim results have been reviewed by the audit committee (“**Audit Committee**”) of the Company.

Business Review and Prospects

Review

The Group is a game developer focusing on the development of browser and mobile games. For the Reporting Period, our Group achieved substantial growth in our results. This was mainly attributable to the game development ideas which we adhered to as well as the refinement and cultivation of game products. During the Reporting Period, the Group emphasised on continually increasing inputs for mobile games, continued to optimise and upgrade existing games, developed and commercially launched numerous mobile game series, which better captured the development opportunity from the constantly fast-growing mobile game industry and attained satisfying results.

In terms of financial performance, during the six months ended 30 June 2019, our revenue increased by 59.9% from approximately RMB64.3 million for the six months ended 30 June 2018 to approximately RMB102.8 million. Of which, the revenue of mobile games reached approximately RMB101.0 million, representing an increase of 62.9% as compared to the same period in 2018. Revenue of mobile games amounted to 98.2% of the Group’s revenue. Profit attributable to owners of the Company increased by 65.7% from approximately RMB37.0 million for the six months ended 30 June 2018 to approximately RMB61.3 million for the six months ended 30 June 2019.

As at 30 June 2019, we have licensed seventeen self-developed games in aggregate, including the mobile and browser versions of Kings & Legends (王者召喚) series, the mobile and browser versions of Hero’s Crown (英雄皇冠) series, the browser version of Heroines of Three Kingdoms (姬戰三國) series, the mobile version of Endless Battles (無盡爭霸) series, the mobile version of Legend of Fairies (萌仙記) series, the mobile version of Road of Vengeance (復仇之路) series, the mobile version of Number Drop series, the mobile version of G-game series, the mobile version of Sweeties Fighting (零食大亂鬥) series, the mobile version of War of the Sulfurons (薩弗隆戰記) series, the mobile version of Super Tycoon (超級大亨) series, the mobile version of Forest Gala (森林大聯歡) series, the mobile version of Fish Catching Contest (捕魚大亂鬥) series, the mobile version of Super Cute Monster (超級逗萌獸) series, the mobile version of 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) series to various game operators for the operation, publication and distribution of such games within an agreed period and within designated territories.

For the six months ended 30 June 2019, the revenue and the proportion of their revenue to our total revenue for five of our major games are listed as follows: the mobile version of our Fish Catching Contest (捕魚大亂鬥) series was commercially launched in December 2017 and our revenue from the game series amounted to approximately RMB58.0 million for the six months ended 30 June 2019, amounted to 56.4% of our total revenue; the mobile version of our Sweeties Fighting (零食大亂鬥) series was commercially launched in May 2017 and our revenue from the game series amounted to approximately RMB23.6 million for the six months ended 30 June 2019, amounted to 23.0% of our total revenue; the mobile version of our Shaky Battle (晃晃大作戰) series was commercially launched in July 2018 and our revenue from the game series amounted to approximately RMB12.5 million for the six months ended 30 June 2019, amounted to 12.1% of our total revenue; the mobile version of our Age of Star Wars (星戰紀) series was commercially launched in June 2018 and our revenue from the game series amounted to approximately RMB3.0 million for the six months ended 30 June 2019, amounted to 3.0% of our total revenue; the browser version of our Kings & Legends (王者召喚) game series was commercially launched in March 2012 and our revenue from the game series amounted to approximately RMB1.4 million for the six months ended 30 June 2019, amounted to 1.3% of our total revenue.

The table below sets forth the fourteen main series of games which are operating and commercially launched by our licensed operators as of 30 June 2019:

Language version	Game title	Platform	Initial commercial launch date
<i>Kings & Legends (王者召喚) series of games</i>			
English	Ancient Summoner/Rise of Mythos (Name changed in June 2014)	Browser	May 2013
Japanese	Kings and Legends	Browser	December 2012
	デイヴァイン・グリモワール／Divine Grimoire	Browser	September 2012
German	Kings and Legends	Browser	July 2013
French	Kings and Legends	Browser	December 2013
Traditional Chinese	卡卡們的大亂鬥	Browser	June 2012
Simplified Chinese	王者召喚	Browser	March 2012
<i>Hero's Crown (英雄皇冠) series of games</i>			
Simplified Chinese	英雄皇冠	Browser	March 2015
Traditional Chinese	卡卡們的大亂鬥II： 英雄皇冠	Browser	June 2015
Simplified Chinese	魔戒外傳	Mobile	April 2016

Language version	Game title	Platform	Initial commercial launch date
<i>Heroines of Three Kingdoms (姬戰三國) series of games</i> Simplified Chinese	姬战三国	Browser	January 2015
<i>Road of Vengeance (復仇之路) series of games</i> Simplified Chinese	复仇之路	Mobile	August 2016
<i>Number Drop series of games</i> Simplified Chinese	Number Drop	Mobile	March 2017
<i>G-game series of games</i> Simplified Chinese	一起切水果	Mobile	March 2017
<i>Sweeties Fighting (零食大亂鬥) series of games</i> Simplified Chinese	零食大乱斗	Mobile	May 2017
<i>Super Tycoon (超級大亨) series of games</i> Simplified Chinese	超级大亨	Mobile	July 2017
<i>Forest Gala (森林大聯歡) series of games</i> Simplified Chinese	森林大联欢	Mobile	July 2017
<i>Fish Catching Contest (捕魚大亂鬥) series of games</i> Simplified Chinese	捕鱼大乱斗	Mobile	December 2017
<i>Super Cute Monster (超級逗萌獸) series of games</i> Simplified Chinese	超级逗萌兽	Mobile	December 2017
<i>Super Rich (超級大富翁) series of games</i> Simplified Chinese	超级大富翁	Mobile	February 2018
<i>Age of Star Wars (星戰紀) series of games</i> Simplified Chinese	星战纪	Mobile	June 2018
<i>Shaky Battle (晃晃大作戰) series of games</i> Simplified Chinese	晃晃大作战	Mobile	July 2018

As at 30 June 2019, we also had six game series under research and development, including the Royal Tycoon (皇家大亨) series, the Royal Fish Catching (皇家捕魚) series, Super Diglett Fighting (超級地鼠大亂鬥) series, Super Bouncy (超級彈彈彈) series (tentative title), Jungle Treasure (叢林秘寶) series (tentative title) and Fighting Cells (戰鬥細胞) series (tentative title). Subject to their development progress and market response, new game series Super Bouncy (超級彈彈彈) (tentative title) and Jungle Treasure (叢林秘寶) (tentative title) are expected to be launched in the fourth quarter of 2019. The Royal Tycoon (皇家大亨) series, the Royal Fish Catching (皇家捕魚) series and the Super Diglett Fighting (超級地鼠大亂鬥) series had been commercially launched in July 2019. In addition, due to business realignment of licensed operators, the Group discontinued the operation of three game series on the platform of game operators in July 2019, namely the Heroines of Three Kingdoms (姬戰三國) series, Super Rich (超級大富翁) series and Age of Star Wars (星戰紀) series.

Game title	Genre	Expected launch date	Start of game inception and evaluation
Royal Tycoon (皇家大亨) ¹	2D leisure	Third quarter of 2019	First quarter of 2018
Royal Fish Catching (皇家捕魚) ¹	Single-player leisure	Third quarter of 2019	Third quarter of 2018
Super Diglett Fighting (超級地鼠大亂鬥) ¹	Single-player leisure	Third quarter of 2019	Fourth quarter of 2018
Super Bouncy (超級彈彈彈) (tentative name)	Turn-based RPG	Fourth quarter of 2019	First quarter of 2019
Jungle Treasure (叢林秘寶) (tentative name)	Leisure strategy	Fourth quarter of 2019	First quarter of 2019
Fighting Cells (戰鬥細胞) (tentative name)	H5	First quarter of 2021	Second quarter of 2019

Note:

1. Royal Tycoon (皇家大亨) series, Royal Fish Catching (皇家捕魚) series and Super Diglett Fighting (超級地鼠大亂鬥) series had been commercially launched in July 2019.

Prospects

Business strategies of our mobile games and browser games

In terms of business strategies for mobile games, the Group will 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 substantial resources in mobile games.

In terms of business strategies for browser games, 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.

Overseas market strategies

We will make vigorous efforts to expand overseas markets, promote our games to new potential areas and regions, and continue to strengthen its local presence in key markets around the world and raise its global competitiveness to the next level.

Transfer of listing

The Shares of the Company were listed on GEM on 18 February 2016 and the listing of which has been successfully transferred from GEM to the Main Board on 27 June 2019. Listing on the Main Board will enhance the corporate profile and public recognition of the Company. This will, in turn, enhance the business prospects of the Group and add to its competitive strength and be beneficial to the future growth of the Group.

Financial Review

Revenue

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

During the six months ended 30 June 2019, our revenue was originated from our licensed operators and derived from the following revenue types: (i) license fees in accordance with the contractual terms agreed with our licensed operators for granting the exclusive operating right for specific games within an agreed period and designated territories; and (ii) royalties which were calculated based on a pre-determined percentage sharing of the net sales of credits of our licensed operators which have been exchanged into our in-game tokens purchased through platforms designated by our licensed operators in accordance with the terms of the licensing agreements.

Our revenue increased by approximately 59.9% from approximately RMB64.3 million for the six months ended 30 June 2018 to approximately RMB102.8 million for the six months ended 30 June 2019. The increase in revenue was mainly due to the increase in revenue brought by the successive launch of several mobile game series previously, such as Fish Catching Contest (捕魚大亂鬥) series and Shaky Battle (晃晃大作戰) series.

Revenue by game platforms and revenue types

The table below sets forth the breakdown of revenue by game platforms and revenue types for each of the six months ended 30 June 2019 and 2018:

	For the six months ended 30 June			
	2019		2018	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Browser version	1,840	1.8	2,369	3.7
License fees	—	—	—	—
Royalties	1,840	1.8	2,369	3.7
Mobile version	100,983	98.2	61,951	96.3
License fees	530	0.5	971	1.5
Royalties	100,453	97.7	60,980	94.8
	<u>102,823</u>	<u>100.0</u>	<u>64,320</u>	<u>100.0</u>

Revenue by game series

The table below sets forth the breakdown of revenue by game series for each of the six months ended 30 June 2019 and 2018:

	For the six months ended 30 June			
	2019		2018	
	RMB'000	%	RMB'000	%
	(unaudited)		(unaudited)	
Kings & Legends (王者召喚)	1,379	1.3	1,647	2.6
Hero's Crown (英雄皇冠)	467	0.5	2,887	4.5
Heroines of the Three Kingdoms (姬戰三國)	8	—	84	0.1
Endless Battles (無盡爭霸)	—	—	357	0.6
Legend of Fairies (萌仙記)	—	—	793	1.2
Road of Vengeance (復仇之路)	996	1.0	1,763	2.7
Number Drop	228	0.2	2,196	3.4
G-game	838	0.8	1,963	3.1
Sweeties Fighting (零食大亂鬥)	23,636	23.0	25,138	39.1
War of the Sulfulons (薩弗隆戰紀)	—	—	196	0.3
Super Tycoon (超級大亨)	136	0.1	135	0.2
Forest Gala (森林大聯歡)	382	0.4	930	1.4
Fish Catching Contest (捕魚大亂鬥)	57,994	56.4	24,555	38.2
Super Cute Monster (超級逗萌獸)	936	0.9	996	1.6
Super Rich (超級大富翁)	340	0.3	334	0.5
Age of Star Wars (星戰紀)	3,024	3.0	346	0.5
Shaky Battle (晃晃大作戰)	12,459	12.1	—	—
	102,823	100.0	64,320	100.0

Revenue by geographical markets

The following table sets forth our revenue from our games based on territories, as determined by type of settlement currency with licensed operators, in absolute amounts and as a percentage of our revenue for each of the six months ended 30 June 2019 and 2018:

	For the six months ended 30 June			
	2019		2018	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)		(unaudited)	
The PRC ¹	102,262	99.5	63,863	99.3
Asia Pacific (including Japan and Taiwan) ²	236	0.2	303	0.5
North America ⁴	13	—	—	—
Europe ³	312	0.3	154	0.2
Total	<u>102,823</u>	<u>100.0</u>	<u>64,320</u>	<u>100.0</u>

Notes:

1. Settled in RMB
2. Settled in USD
3. Settled in EUR
4. The North America market had been transferred to Lions Film Co., Ltd. as an agent in May 2019 with revenue contribution of less than 0.1%, such that no figures can be shown.

Direct costs

The Group's direct costs mainly 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 reporting periods indicated:

	2019		2018	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)		(unaudited)	
Staff costs and benefits	3,790	58.0	4,570	56.9
Amortisation of intangible assets	2,032	31.1	3,019	37.6
Others	716	10.9	444	5.5
Total	<u>6,538</u>	<u>100.0</u>	<u>8,033</u>	<u>100.0</u>

Staff costs and benefits represented salary and wages of staff who are responsible for making continuous enhancements and maintenance for our commercially launched games. Staff costs and benefits for the six months ended 30 June 2019 amounted to approximately RMB3.8 million, representing a decrease of approximately 17.4% as compared to approximately RMB4.6 million for the six months ended 30 June 2018.

Amortisation of intangible assets represented the amortisation of game intellectual properties for the commercially launched games. Amortisation of intangible assets for the six months ended 30 June 2019 amounted to approximately RMB2.0 million, representing a decrease as compared to approximately RMB3.0 million for the six months ended 30 June 2018. The decrease was mainly due to the commercial launch of only 9 game series subject to amortisation during the six months ended 30 June 2019 as compared to the commercial launch of 14 game series subject to amortisation during the six months ended 30 June 2018.

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 for the six months ended 30 June 2019 was in line with the significant increase in revenue.

Gross profit and gross profit margin

Our gross profit for the six months ended 30 June 2019 amounted to approximately RMB96.3 million, representing an increase of approximately RMB40.0 million as compared to approximately RMB56.3 million for the six months ended 30 June 2018. Our gross profit margin for the six months ended 30 June 2019 and 2018 was approximately 93.7% and 87.6%, respectively. The increase in our gross profit and gross profit margin was mainly due to the increase in revenue continuously brought by the commercial launch of new game series since 2017.

Other income

Our other income mainly consisted of interest income of short term bank deposits, government grants and other gains. For the six months ended 30 June 2019, our other income was approximately RMB2.7 million, compared with approximately RMB0.7 million for the same period in 2018.

Game research costs

Game research and development costs primarily comprised (i) salaries for 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 costs incurred for the reporting periods indicated:

	For six months ended 30 June	
	2019	2018
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Game research costs as recognised in condensed consolidated statement of profit or loss and other comprehensive income:		
Age of Star Wars (星戰紀)	—	112
Shaky Battle (晃晃大作戰)	—	45
Royal Tycoon (皇家大亨)	—	143
Super Bouncy (超級彈彈彈) (tentative name)	17	—
Jungle Treasure (叢林秘寶) (tentative name)	69	—
Fighting Cells (戰鬥細胞) (tentative name)	84	—
	<hr/>	<hr/>
Total	170	300
	<hr/> <hr/>	<hr/> <hr/>

Distribution costs

Our distribution costs for the six months ended 30 June 2019 amounted to approximately RMB0.6 million, represented an increase of about RMB0.2 million as compared to RMB0.4 million for the same period in 2018. The increase was mainly attributable to the increase in the salaries and welfare of promotional staff.

Administrative expenses

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

	For six months ended 30 June			
	2019		2018	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Salaries and employee benefits	4,904	28.4	3,850	47.6
Operating lease rentals in respect of land and buildings	—	—	1,257	15.5
Operating lease rentals in respect of servers	40	0.2	150	1.9
Legal and professional fees	550	3.2	752	9.3
Professional fees for transfer of listing to Main Board	5,316	30.8	—	—
Depreciation of property, plant and equipment	388	2.3	523	6.5
Depreciation of right-of-use assets	1,280	7.4	—	—
Exchange difference	1,228	7.1	177	2.2
Others	3,564	20.6	1,377	17.0
Total	17,270	100.0	8,086	100.0

The Group's administrative expenses for the six months ended 30 June 2019 amounted to approximately RMB17.3 million, representing an increase of approximately 113.6% as compared to approximately RMB8.1 million for the six months ended 30 June 2018. If the professional fees incurred in relation to the Company's application for a transfer of listing from GEM to the Main Board for the Reporting Period were excluded, the Group's administrative expenses for the six months ended 30 June 2019 amounted to approximately RMB12.0 million, representing an increase of approximately 48.1% as compared to approximately RMB8.1 million for the six months ended 30 June 2018. The increase in the Group's administrative expenses was mainly attributable to the increase in salaries, employee benefits of the Group's administrative staff, the exchange loss by approximately RMB1.2 million in relation to the final dividend paid for the year ended 31 December 2018 accounted for during June 2019 and an increase in others.

Income tax expense

Our income tax expense for the six months ended 30 June 2019 amounted to approximately RMB19.9 million while we recorded RMB11.2 million for the six months ended 30 June 2018. The increase in our income tax expense was mainly because the profits of the PRC subsidiaries of the Group increased significantly during the Reporting Period as compared to the same period in 2018 as well as the increase in income tax expense withheld under the provisions of the PRC tax law with respect to the distribution of dividends to foreign investors by the PRC subsidiaries of the Group.

Profit for the period

Given the aforesaid reasons, profit attributable to owners of the Company increased by approximately 65.7% from approximately RMB37.0 million for the six months ended 30 June 2018 to approximately RMB61.3 million for the six months ended 30 June 2019.

Liquidity and Financial Resources

For the six months ended 30 June 2019, we mainly financed our business with cash generated from our operating activities. We intend to fund our expansion and business operations through our internal resources and on-going internal growth.

Treasury Policy

During the six months ended 30 June 2019, the Group deposited its idle capital with commercial banks in the PRC and Hong Kong as short-term time deposits to allow inactive capital of the Group to generate certain return and did not engage in any investments with high risks or speculative derivative instruments.

Cash and Cash Equivalents

As at 30 June 2019, our cash and cash equivalents amounted to approximately RMB191.8 million, compared with approximately RMB136.8 million as of 31 December 2018, which primarily consisted of cash at bank and cash in hand and which are mainly denominated in RMB (as to approximately 34.9%), HKD (as to approximately 16.0%), THB (as to approximately 0.8%) and USD (as to approximately 48.3%).

Capital Expenditures

Our capital expenditures comprised expenditures on the purchase of furniture and office equipment and leasehold improvements. For the six months ended 30 June 2019, our total capital expenditures amounted to approximately RMB0.6 million, representing the purchase of furniture and office equipment (the six months ended 30 June 2018: approximately RMB0.4 million, representing the purchase of furniture and office equipment). We funded our capital expenditure by using our cash flow generated from our operations.

Capital Structure

The Shares were listed on GEM of the Stock Exchange on 18 February 2016. Listing of the Shares has been transferred from GEM to the Main Board since 27 June 2019. The capital structure of the Company comprised of issued share capital and reserves.

Borrowings and Gearing Ratio

During the six months ended 30 June 2019, we did not have any short-term or long-term bank borrowings.

As at 30 June 2019, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 16.7% (31 December 2018: approximately 9.9%).

Charge on Group Assets

As at 30 June 2019, no assets of the Group was pledged as a security for bank borrowings or any other financing facilities (31 December 2018: Nil).

Information on Employees and Remuneration Policy

As at 30 June 2019, the Group had 145 employees (30 June 2018: 112), who mainly worked and located in the PRC. The table below sets forth the number of employees by function as at 30 June 2019 and 2018:

Department	As of 30 June			
	2019		2018	
	<i>Number of employees</i>	<i>% of total employees</i>	<i>Number of employees</i>	<i>% of total employees</i>
Management	7	5%	9	8%
Project Development	91	63%	72	64%
Game design	16	11%	11	10%
Programming	53	37%	42	37%
Art	22	15%	19	17%
Project Support	35	24%	21	19%
Marketing	4	3%	1	1%
Licensing and operator support	23	16%	15	13%
Information technology	8	5%	5	5%
Finance and Administration	12	8%	10	9%
Total	145	100%	112	100%

The total remuneration of the employees of the Company was approximately RMB9.6 million for the six months ended 30 June 2019 (same period in 2018: approximately RMB9.6 million).

The Company has established the Remuneration Committee with written terms of reference in compliance with Chapter 3 of the Main Board Listing Rules.

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

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

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

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

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

There was no significant investment, material acquisition and disposal by the Company or its subsidiaries during the six months ended 30 June 2019.

Contingent Liabilities

As at 30 June 2019, the Group did not have any significant contingent liabilities (31 December 2018: Nil).

Foreign Exchange Risks

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD, EUR, JPY, THB and HKD. Approximately 0.5% of the revenue are denominated in currencies other than the functional currency of the operating units making the sales for the six months ended 30 June 2019 (30 June 2018: approximately 0.7%). Therefore, foreign exchange risks primarily arose from recognised assets in the Group when receiving or to receive foreign currencies from overseas cooperated counter parties.

Approximately 99.5% (30 June 2018: approximately 99.3%) of the transactions of the Company are denominated and settled in its functional currency, RMB. The Company's foreign exchange risks primarily arose from the cash and cash equivalents denominated in USD, EUR and HKD.

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

Use of Proceeds from the Placing

The Shares of the Company was listed on GEM of the Stock Exchange on 18 February 2016, and the net proceeds from the Placing was approximately HK\$28.9 million. Listing of the Shares has been transferred to the Main Board from GEM on 27 June 2019.

As at 30 June 2019, the Group has spent approximately HK\$16.6 million, in aggregate, of the proceeds from the Placing (approximately HK\$7.2 million on development of new games on mobile devices platform, approximately HK\$0.2 million on development of new browser games, approximately HK\$2.9 million on the continual optimisation of our existing games on various platforms, approximately HK\$1.2 million on enhancing our game development capabilities, approximately HK\$3.6 million on the acquisition/investment of game developers and related companies and approximately HK\$1.5 million for working capital and other general corporate uses). The Group is currently developing browser games and actively seeking opportunities to obtain/acquire the adaptation rights of appropriate source materials, opportunities to acquire/invest in game developers.

Earnings Per Share

The calculation of earnings per share is based on the profit attributable to owners of the Company of approximately RMB61.3 million or earnings per share of approximately RMB19.17 cents for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately RMB37.0 million or earnings per share of approximately RMB11.55 cents) and the weighted average number of 320,000,000 ordinary shares (six months ended 30 June 2018: 320,000,000 ordinary shares after the bonus issue in 2018) in issue.

The weighted average number of ordinary shares used in the calculation of earnings per share for the six months ended 30 June 2018 has been adjusted to reflect the bonus issue which was completed on 22 June 2018.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the six months ended 30 June 2019 and 2018.

Interim Dividends

On 19 March 2019, a final dividend, in the form of a cash dividend of HK\$0.075 per share (equivalent to approximately RMB0.066 per share) in respect of the year ended 31 December 2018 has been proposed by the Board and was approved by the shareholders in the annual general meeting held on 19 June 2019.

Save as disclosed above, the Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

Corporate Governance Practices

The Group is committed to achieving a high standard of corporate governance, to protect interests, improve corporate value and accountability.

The Group has adopted the code provisions as set out in the corporate governance code (the “Code”) contained in Appendix 14 to the Main Board Listing Rules and the Code set out in Appendix 15 to the GEM Listing Rules, which were respectively applicable during the relevant periods after and prior to the Transfer of Listing.

The Directors consider the Company has complied with all the code provisions set out in the Code throughout the Reporting Period.

Repurchase, Sale or Redemption of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2019.

Audit Committee

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

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

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group’s unaudited financial statements for the six months ended 30 June 2019 have been reviewed by the Audit Committee. The Audit Committee is of the view that the preparation of the Group’s unaudited financial statements for the six months ended 30 June 2019 complied with applicable accounting standards, the Main Board Listing Rules and that adequate disclosures have been made.

Transfer of listing

The Shares of the Company were listed on GEM of the Stock Exchange on 18 February 2016 and the listing of which has been transferred from GEM of the Stock Exchange to the Main Board of the Stock Exchange since 27 June 2019.

Recent development

The Group is a game developer focusing on the development of mobile and browser games. The Group's revenue is mainly derived from the royalties and license fees paid by licensed operators. The Group plans to expand its business model in the second half of 2019 and intends to self-operate certain games abroad (as the case may be). The Group believes the new business model would diversify its revenue sources and add to its competitive strength, which may enhance the financial performance of the Group.

PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk, in the case of this announcement, on the "Latest Company Announcements" page for at least seven days from the day of its posting. This announcement will also be published on the Company's website at www.firerock.hk. The interim report of the Company for the six months ended 30 June 2019 containing all the information required by the Listing Rules will be dispatched to the shareholders and published on the above websites in due course.

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

Hong Kong, Monday, 26 August 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.