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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 2020**

FINANCIAL HIGHLIGHTS (UNAUDITED)

- For the six months ended 30 June 2020, the Group's revenue increased approximately 177.4% from approximately RMB102.8 million for the six months ended 30 June 2019 to approximately RMB285.2 million.
- For the six months ended 30 June 2020, the Group's gross profit increased approximately 177.7% from approximately RMB96.3 million for the six months ended 30 June 2019 to approximately RMB267.4 million.
- For the six months ended 30 June 2020, the Group's profit increased approximately 214.4% from approximately RMB61.3 million for the six months ended 30 June 2019 to approximately RMB192.7 million.
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2020 (the “**Reporting Period**”) together with the comparative figures for the six months ended 30 June 2019 (the “**Corresponding Period in 2019**”). 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> | 2020 RMB (unaudited) | 2019 RMB (unaudited) |
|---|--------------|-------------------------------------|-------------------------------------|
| Revenue | 4 | 285,156,409 | 102,823,278 |
| Direct costs | | <u>(17,805,249)</u> | <u>(6,538,023)</u> |
| Gross profit | | 267,351,160 | 96,285,255 |
| Other income | 4 | 2,612,327 | 2,665,580 |
| Research and development costs | | (2,717,080) | (170,015) |
| Distribution costs | | (15,142,368) | (588,438) |
| Administrative expenses | | (17,845,537) | (17,269,950) |
| Finance costs | | (213,393) | (91,358) |
| Operating profit | | 234,045,109 | 80,831,074 |
| Share of profit from investments accounted for using equity accounting | | <u>—</u> | <u>394,463</u> |
| Profit before income tax | 5 | 234,045,109 | 81,225,537 |
| Income tax expense | 6 | (41,364,662) | <u>(19,932,694)</u> |
| Profit for the period | | 192,680,447 | 61,292,843 |
| Other comprehensive income | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| — Exchange differences on translation of foreign operations | | <u>7,581,372</u> | <u>722,533</u> |
| Other comprehensive income for the period | | <u>7,581,372</u> | <u>722,533</u> |
| Total comprehensive income for the period | | <u>200,261,819</u> | <u>62,015,376</u> |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 192,008,703 | 61,340,920 |
| Non-controlling interests | | 671,744 | <u>(48,077)</u> |
| | | <u>192,680,447</u> | <u>61,292,843</u> |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 199,494,679 | 62,067,404 |
| Non-controlling interests | | 767,140 | <u>(52,028)</u> |
| | | <u>200,261,819</u> | <u>62,015,376</u> |
| Earnings per share | | RMB cents | RMB cents |
| Basic and diluted | 8 | <u>60.00</u> | <u>19.17</u> |

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

| | <i>Notes</i> | As at 30 June 2020 RMB (unaudited) | As at 31 December 2019 RMB (audited) |
|---|--------------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | 5,554,133 | 5,636,036 |
| Intangible assets | 9 | 22,832,051 | 19,381,004 |
| Right-of-use assets | | 7,895,719 | 9,492,211 |
| | | <u>36,281,903</u> | <u>34,509,251</u> |
| Current assets | | | |
| Trade receivables | 10 | 102,495,153 | 140,513,173 |
| Prepayments, deposits and other receivables | | 3,297,871 | 5,663,418 |
| Short-term bank deposits | | — | 100,609,632 |
| Cash and cash equivalents | | 459,899,954 | 147,891,166 |
| | | <u>565,692,978</u> | <u>394,677,389</u> |
| Current liabilities | | | |
| Trade and other payables | 11 | 13,852,996 | 15,906,407 |
| Deferred revenue | | 943,393 | 139,559 |
| Dividend payables | | 1,558,557 | — |
| Lease liabilities | | 2,519,149 | 2,668,934 |
| Tax payables | | 2,175,650 | 311,741 |
| | | <u>21,049,745</u> | <u>19,026,641</u> |
| Net current assets | | <u>544,643,233</u> | <u>375,650,748</u> |
| Total assets less current liabilities | | <u>580,925,136</u> | <u>410,159,999</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 5,650,928 | 7,070,751 |
| Deferred tax liabilities | | 17,300,000 | 19,000,000 |
| | | <u>22,950,928</u> | <u>26,070,751</u> |
| Net assets | | <u>557,974,208</u> | <u>384,089,248</u> |
| Equity | | | |
| Share capital | 12 | 2,669,060 | 2,669,060 |
| Reserves | | 554,810,142 | 381,692,323 |
| Equity attributable to owners of the Company | | <u>557,479,202</u> | <u>384,361,383</u> |
| Non-controlling interests | | 495,006 | (272,135) |
| Total equity | | <u>557,974,208</u> | <u>384,089,248</u> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. GENERAL INFORMATION

Fire Rock Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 3 November 2014. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at 9th Floor, Block 1, Chongwen Garden, Nanshan IPark, 3370 Liuxian Avenue, Nanshan District, Shenzhen, Guangdong, The People’s Republic of China (the “**PRC**”).

The Company is an investment holding company. The Company and its subsidiaries (collectively the “**Group**”) are principally engaged in software, browser and mobile games development, including the design, programming, graphics and licensing of its games in the PRC and overseas markets, as well as licensing of its software to business partners. In addition, the Group also self-operates its games in overseas markets.

The condensed consolidated statement of financial position as at 30 June 2020, 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 for the six months ended 30 June 2020, 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 28 August 2020.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Condensed Financial Statements for the six months ended 30 June 2020 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 2020, the accounting policies applied in preparing this unaudited Interim Condensed Financial Statements for the six months ended 30 June 2020 are consistent with those of the annual financial statements for the year ended 31 December 2019 issued by the Company on 9 March 2020, 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 2020. The adoption of the new or amended HKFRSs in the current interim period has no impact on the Group’s Interim Condensed Financial Statements. The Interim Condensed Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019.

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.

Since the outbreak of Coronavirus Disease (“COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. It remains difficult to predict how the pandemic will evolve. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

3. SEGMENT INFORMATION

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision makers that are used to make strategic decisions.

For the six months ended 30 June 2020, the Group has two reportable segments. These segments are managed separately as each business offers different products and services which require different business strategies. The following summary describes the operations in each of the Group’s reportable segments:

- Game and software development — Software, browser and mobile games development and licensing services for earning License fees and Royalties from the Licensed Operators and business partners
- Game operation — Mobile game operation for earning game operation income

For the six months ended 30 June 2019, there was only one business segment in the internal reporting to the chief operating decision makers, which is game and software development. There was no game operation business during the six months ended 30 June 2019, and the Group’s assets and capital expenditure were principally attributable to this business segment. Accordingly, no segment information in respect of the six months ended 30 June 2019 is presented in the consolidated financial statements.

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------|
| | 2020 | 2019 |
| | <i>RMB</i> | <i>RMB</i> |
| | (unaudited) | (unaudited) |
| Revenue from contracts with customer: | | |
| Game and software development | 257,984,137 | 102,823,278 |
| Game operation | 27,172,272 | — |
| | <u>285,156,409</u> | <u>102,823,278</u> |

Certain corporate income and expenses are not allocated to the operating segments as they are not included in the measure of the segment’s profit that is used by the chief operating decision-maker for assessment of segment performance.

Information regarding the Group's reportable segments is set out below.

| | For the six months ended 30 June 2020 | | |
|---------------------------------|--|--|------------------------------------|
| | Game and software development <i>RMB</i> (unaudited) | Game operation <i>RMB</i> (unaudited) | Total <i>RMB</i> (unaudited) |
| Revenue from external customers | 258,217,470 | 27,172,272 | 285,389,742 |
| Inter-segment revenue | (233,333) | — | (233,333) |
| Reportable segment revenue | <u>257,984,137</u> | <u>27,172,272</u> | <u>285,156,409</u> |
| Reportable segment profit | 232,940,910 | 2,732,610 | 235,673,520 |
| Interest income | 910,421 | 4,639 | 915,060 |
| Government grant | 1,500,000 | — | 1,500,000 |
| Finance costs | 206,826 | 6,567 | 213,393 |
| Depreciation and amortisation | 6,302,710 | 215,646 | 6,518,356 |
| Income tax expense | 41,364,662 | — | 41,364,662 |
| Reportable segment assets | 507,806,624 | 16,069,663 | 523,876,287 |
| Reportable segment liabilities | 33,034,072 | 9,034,062 | 42,068,134 |
| Additions to non-current assets | <u>8,282,079</u> | <u>63,146</u> | <u>8,345,225</u> |

Reconciliation of reportable segment profit, assets and liabilities:

| | For the six months ended 30 June 2020 <i>RMB</i> (unaudited) |
|---------------------------------------|--|
| <i>Profit before income tax</i> | |
| Reportable segment profit | 235,673,520 |
| Unallocated corporate income | 375 |
| Unallocated corporate expenses | <u>(1,628,786)</u> |
| Consolidated profit before income tax | <u><u>234,045,109</u></u> |
| <i>Assets</i> | |
| Reportable segment assets | 523,876,287 |
| Unallocated corporate assets | <u>78,098,594</u> |
| Consolidated total assets | <u><u>601,974,881</u></u> |
| <i>Liabilities</i> | |
| Reportable segment liabilities | 42,068,134 |
| Unallocated corporate liabilities | <u>1,932,539</u> |
| Consolidated total liabilities | <u><u>44,000,673</u></u> |

(b) Disaggregation of revenue from contracts with customers by geographic market and timing of revenue

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, management determines that the Group is domiciled in the PRC.

In the following table, revenue is disaggregated by primary geographical markets and the timing of revenue recognition.

| | For the six months ended 30 June 2020 <i>RMB</i> (unaudited) | 2019 <i>RMB</i> (unaudited) |
|--------------------------------------|---|-----------------------------------|
| Primary geographical markets* | | |
| The PRC (place of domicile) | 257,425,677 | 102,261,934 |
| Asia Pacific | 27,283,159 | 236,381 |
| Europe | 447,573 | 311,925 |
| North America | <u>—</u> | <u>13,038</u> |
| | <u><u>285,156,409</u></u> | <u><u>102,823,278</u></u> |

* Based on the location of Licensed Operators and game operation.

| | For the six months ended 30 June | |
|--------------------------------------|---|--------------------|
| | 2020 | 2019 |
| | RMB | RMB |
| | (unaudited) | (unaudited) |
| Timing of revenue recognition | | |
| Over time | 11,441,509 | 529,947 |
| At a point in time | 273,714,900 | 102,293,331 |
| | 285,156,409 | 102,823,278 |
| | As at | As at |
| | 30 June | 31 December |
| | 2020 | 2019 |
| | RMB | RMB |
| | (unaudited) | (audited) |
| Non-current assets | | |
| The PRC | 35,595,123 | 33,639,734 |
| Thailand | 234,904 | 258,956 |
| Hong Kong | 451,876 | 610,561 |
| | 36,281,903 | 34,509,251 |

(c) Information about major licensed operators

Revenue earned 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 | |
|---------------------|---|--------------------|
| | 2020 | 2019 |
| | RMB | RMB |
| | (unaudited) | (unaudited) |
| Licensed operator A | 185,062,838 | 86,448,990 |
| Licensed operator B | 64,963,550 | — |
| Licensed operator C | — | 12,458,809 |
| | 250,026,388 | 98,907,799 |

4. REVENUE AND OTHER INCOME

| | For the six months ended 30 June | |
|----------------------------|----------------------------------|--------------------|
| | 2020 | 2019 |
| | <i>RMB</i> | <i>RMB</i> |
| | (unaudited) | (unaudited) |
| Revenue | | |
| License fees and royalties | 246,542,628 | 102,823,278 |
| Game operation income | 27,172,272 | — |
| Software licensing service | 11,441,509 | — |
| | <u>285,156,409</u> | <u>102,823,278</u> |
| Other income | | |
| Interest income | 915,435 | 1,081,706 |
| Government grants | 1,500,000 | 1,575,200 |
| Others | 196,892 | 8,674 |
| | <u>2,612,327</u> | <u>2,665,580</u> |

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

| | For the six months ended 30 June | |
|--|----------------------------------|------------------|
| | 2020 | 2019 |
| | <i>RMB</i> | <i>RMB</i> |
| | (unaudited) | (unaudited) |
| Depreciation of plant and equipment* | 1,243,287 | 387,689 |
| Depreciation of right-of-use assets** | 1,037,850 | 1,280,142 |
| Amortisation of intangible assets** | 4,237,219 | 2,031,545 |
| Interest expense on lease liabilities | 213,393 | 91,358 |
| Exchange loss, net | 6,760,752 | 1,228,572 |
| Employee costs (including directors' remuneration) | <u>10,391,497</u> | <u>9,601,152</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.

6. INCOME TAX EXPENSE

| | For the six months ended 30 June | |
|-----------------------------------|----------------------------------|-------------------|
| | 2020 | 2019 |
| | RMB | RMB |
| | (unaudited) | (unaudited) |
| PRC Enterprise Income Tax (“EIT”) | 24,064,662 | 13,732,694 |
| Deferred tax | 17,300,000 | 6,200,000 |
| | <u>41,364,662</u> | <u>19,932,694</u> |

7. DIVIDENDS

On 9 March 2020, a final dividend, in the form of a cash dividend of HK\$0.09375 per share (equivalent to approximately RMB0.0825 per share) in respect of the year ended 31 December 2019 has been proposed by the Board and is approved by the shareholders in the annual general meeting held on 17 April 2020.

Save as disclosed above, the Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to owners of the Company of approximately RMB192.0 million or earnings per share of approximately RMB60.00 cents for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately RMB61.3 million or earnings per share of approximately RMB19.17 cents) and the weighted average number of 320,000,000 ordinary shares (six months ended 30 June 2019: 320,000,000 ordinary shares) in issue.

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 2020 and 2019.

9. INTANGIBLE ASSETS

For the six months ended 30 June 2020, additional development cost of the Group was approximately RMB7.7 million (for the six months ended 30 June 2019: approximately RMB6.5 million).

10. TRADE RECEIVABLES

The Group allows credit period within 120 days to its licensed operators, third party game distribution platforms and payment channels. The aging analysis of trade receivables at the end of the reporting period, based on invoice date is as follows:

| | As at 30 June 2020 <i>RMB</i> (unaudited) | As at 31 December 2019 <i>RMB</i> (audited) |
|--------------------|---|---|
| 0–30 days | 39,221,875 | 43,732,675 |
| 31–60 days | 40,316,271 | 35,176,491 |
| 61–90 days | 3,598,362 | 35,382,527 |
| 91–120 days | 18,246,787 | 25,567,860 |
| More than 120 days | 1,111,858 | 653,620 |
| | <u>102,495,153</u> | <u>140,513,173</u> |

The Group does not hold any collateral over these balances.

11. TRADE AND OTHER PAYABLES

| | As at 30 June 2020 <i>RMB</i> (unaudited) | As at 31 December 2019 <i>RMB</i> (audited) |
|----------------|---|---|
| Trade payables | — | 114,156 |
| Other payables | 6,460,323 | 6,113,901 |
| Accruals | 7,392,673 | 9,678,350 |
| | <u>13,852,996</u> | <u>15,906,407</u> |

An ageing analysis of the Group's trade payables at the end of the reporting period, based on the invoice date is as follows:

| | As at 30 June 2020 <i>RMB</i> (unaudited) | As at 31 December 2019 <i>RMB</i> (audited) |
|-------------------|---|---|
| Less than 30 days | — | 114,156 |

12. SHARE CAPITAL

| | Number of shares | Amount <i>RMB</i> |
|--|----------------------|----------------------|
| Authorised: | | |
| Ordinary shares of HK\$0.01 each | | |
| At 1 January 2019 | 500,000,000 | 4,199,383 |
| Increase in authorised shares | 1,500,000,000 | 13,398,450 |
| At 31 December 2019 and 30 June 2020 | <u>2,000,000,000</u> | <u>17,597,833</u> |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.01 each | | |
| At 1 January 2019 (audited) | 320,000,000 | 2,669,060 |
| At 31 December 2019 and 30 June 2020 (unaudited) | <u>320,000,000</u> | <u>2,669,060</u> |

On 8 August 2019, the shareholders of the Company resolved to increase the authorised share capital of the Company from HK\$5,000,000 to HK\$20,000,000 divided into 2,000,000,000 shares each by the creation of an additional 1,500,000,000 shares.

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 2020. The interim results have been reviewed by the audit committee (“**Audit Committee**”) of the Company.

Business Review and Prospects

Review

Our Group is a game developer principally engaged in the development of browser and mobile games. Since last year, the Group has commenced self-operation by introducing its self-developed game products in overseas markets, seeking to transform gradually into a business model of “game developer + game publisher” and enhance our comprehensive profitability. During the Reporting Period, the Group continued to focus on the research and development of browser and mobile games to cope with the ever intensifying competition of the industry. As for browser games, we made greater effort in the research of H5 technology by leveraging on our strengths in research and development to develop browser games products of higher quality. As for mobile games, we made greater investments in the continual optimisation and update of existing games as well as the initiation of various mobile game series, which captured the development opportunity from the constantly fast-growing mobile game industry and achieved satisfactory results. Meanwhile, we continued to expand our game operation business overseas and launched several self-operated games, generating growing revenue from overseas markets. In addition, the research and development of the intellectual property rights in relation to computer software is part of the Company’s strategic development. We have developed computer software related to game operations and provided licensing services with respect to intellectual property rights to enterprises, thereby diversifying the revenue of the Group, which also enables us to have a closer relationship with our licensed operators.

In terms of financial performance, during the six months ended 30 June 2020, our revenue increased by approximately 177.4% from approximately RMB102.8 million for the six months ended 30 June 2019 to approximately RMB285.2 million; of which, the revenue of mobile games reached approximately RMB273.0 million, representing an increase of approximately 170.3% as compared to the same period in 2019. Revenue of mobile games amounted to 95.7% of the Group’s revenue. Profit of the Group increased by approximately 214.4% from approximately RMB61.3 million for the six months ended 30 June 2019 to approximately RMB192.7 million for the six months ended 30 June 2020.

In terms of game products, for the six months ended 30 June 2020, the Group commercially launched two mobile game series, the Super Bouncy (超級彈彈彈) series and the Jungle Treasure (叢林秘寶) series, and re-licensed the mobile version of the Age of Star Wars (星戰紀) series (operation suspended in July 2019) to operators, which further expanded our game portfolio and diversified our revenue sources. In addition, due to the business realignment of game operators, the licensed operators underwent negotiation with us and discontinued the operation of the mobile version of the Hero's Crown (英雄皇冠) series, the Super Bouncy (超級彈彈彈) series and the Shaky Battle (晃晃大作戰) series on the platform of licensed operators in January, March and May 2020, respectively.

As at 30 June 2020, the Group has licensed 19 self-developed games series 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 Sulfurions (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 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, the mobile version of the Shaky Battle (晃晃大作戰) series, the mobile version of the Super Diglett Fighting (超級地鼠大亂鬥) series and the mobile version of the Super Bouncy (超級彈彈彈) series to various game operators for the operation, publication and distribution of such games within specified periods and within designated territories. Three mobile games series, namely the Royal Tycoon (皇家大亨) series, the Royal Fish Catching (皇家捕魚) series and the Jungle Treasure (叢林秘寶) series were operated by the Group's overseas subsidiary on its own. Besides, we have developed two computer software, namely the "Fire Element Mobile Software General Framework (火元素移動軟件通用框架)" and the "Fire Element Integrated Work Station System (火元素集成工作台系統)" and authorised the use of such software to enterprises such as business partners.

For the six months ended 30 June 2020, 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 commercially launched in December 2017 reported revenue of approximately RMB114.4 million for the six months ended 30 June 2020, accounting for approximately 40.1% of our total revenue; the mobile version of our Sweeties Fighting (零食大亂鬥) series commercially launched in May 2017 reported revenue of approximately RMB80.8 million for the six months ended 30 June 2020, accounting for approximately 28.3% of our total revenue; the mobile version of the Royal Tycoon (皇家大亨) series self-operated since commercialisation in July 2019 reported revenue of approximately RMB25.4 million for the six months ended 30 June 2020, accounting for approximately 8.9% of our total revenue; the mobile version of the Super Diglett Fighting (超級地鼠大亂鬥) series commercially launched in July 2019 reported revenue of approximately RMB22.6 million for the six months ended 30 June 2020, accounting for approximately 7.9% of our total revenue; the mobile version of our Age of Star Wars (星戰紀) series commercially re-launched in March 2020 reported revenue of approximately RMB20.5 million for the six months ended 30 June 2020, accounting for approximately 7.2% of our total revenue.

The table below sets forth the 11 main series of games in operation which are commercially launched by our licensed operators or self-operated as of 30 June 2020:

| 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 デイヴァイン・グリモワール／ | Browser | December 2012 |
| | 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>Sweeties Fighting (零食大亂鬥) series of games</i> | | | |
| Simplified Chinese | 零食大乱斗 | Mobile | May 2017/ June 2019* |
| <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 |

| Language version | Game title | Platform | Initial commercial launch date |
|---|--------------------|----------|--------------------------------|
| <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 Diglett Fighting (超級地鼠大亂鬥) series of games</i> Simplified Chinese | 超级地鼠大乱斗 | Mobile | July 2019 |
| <i>Royal Tycoon (皇家大亨) series of games</i> Thai | รอยัล คาสีโน | Mobile | July 2019 |
| <i>Royal Fish Catching (皇家捕魚) series of games</i> Thai | เกมยิงปลาหารรษา | Mobile | July 2019 |
| <i>Age of Star Wars (星戰紀) series of games</i> Simplified Chinese | 星战纪 | Mobile | June 2018/ March 2020* |
| <i>Jungle Treasure (叢林秘寶) series of games</i> Thai | ล่าสมบัติแห่งพงไพร | Mobile | May 2020 |

* It represents the launch date of the enhanced and upgraded version of the game series.

As at 30 June 2020, we also had five game series under research and development, including the Fighting Cells (戰鬥細胞) series (tentative name), the Witty Pinball (智力彈球) series (tentative name), the Demon Conquer of the East Sea (東海降魔) series (tentative name), the Fish Catching Contest — Treasure of the Dragons (捕魚大亂鬥之龍族秘寶) series (tentative name) and New Project A (新項目A) series. We also had two software products under research and development, namely the Fight the Landlord Game AI System (鬥地主遊戲AI系統) (tentative name) and the Good Friend Game Backstage Operation Management System (佳朋鸞遊戲後台運營管理系統) (tentative name).

| Game title | Genre | Expected launch date | Start of game inception and evaluation |
|---|-----------------------|-----------------------------|---|
| Fighting Cells (戰鬥細胞) (tentative name) | H5 | First quarter of 2021 | Second quarter of 2019 |
| Witty Pinball (智力彈球) (tentative name) | H5 | First quarter of 2021 | Third quarter of 2019 |
| Fight the Landlord Game AI System (鬥地主遊戲AI系統) (tentative name) | Software | Fourth quarter of 2020 | Third quarter of 2019 |
| Good Friend Game Backstage Operation Management System (佳朋鸞遊戲後台運營管理系統) (tentative name) | Software | Third quarter of 2020 | Third quarter of 2019 |
| Demon Conquer of the East Sea (東海降魔) (tentative name) | Leisure | Fourth quarter of 2020 | First quarter of 2020 |
| Fish Catching Contest — Treasure of the Dragons (捕魚大亂鬥之龍族秘寶) (tentative name) | Single-player leisure | Second quarter of 2021 | Second quarter of 2020 |
| New Project A* | Leisure | Fourth quarter of 2020 | Second quarter of 2020 |

* As confirmed by the Group's management, in order to protect the intellectual property of the Group's products, code names will be used for products during the research and development stage in the future.

Prospects

For our primary business, the Group will continue to grow our strengths in research and development so as to develop exquisite mobile games with higher quality, longer life-cycle and innovative game types. We will upgrade and optimise existing games, and keep on investing substantial resources in the research and development of mobile games. In the future, the Group also intends to increase its research and development efforts, thoroughly explore users' game preferences and needs, develop unique style and content, and develop browser games of higher quality using H5 technology or other new technologies in order to maintain its core competitiveness in the research and development of browser games. Besides, the Group also actively seeks to achieve all-round development of the game industry chain capitalising on its advantages in research and development, so as to directly access players and understand their needs.

With presence in the Chinese game market, we will actively expand into overseas markets and promote our games to new potential areas and regions. By further strengthening our position in major global markets, we strive to promote our competitiveness to the next level.

Leveraging on our extensive experience and strong capacity in the development of internet application technology as well as our outstanding technical team, we will continue to put in more effort in the research and development of intellectual property rights (computer software) and launch novel internet application technology and products, as well as providing premium intellectual property rights (computer software) licensing services for our business partners (including licensed operators), so as to enable a closer relationship with our business partners. We believe employing intellectual property rights shall be an integral part of the Group's future development.

Besides, the Company will actively explore the possibilities of external strategic investment, cooperation and acquisition, in particular business opportunities which can enhance the stability and diversity of our revenue, so as to cope with the increasing competition in the industry and the possible impacts caused by the constantly changing policies of the industry on the principal business of the Company.

Financial Review

Revenue

We are engaged in the development of browser, mobile games (including game design, programming and graphics) and computer software related to game operation, based on which we license our self-developed browser and mobile games to licensed operators around the world and provide intellectual property rights licensing services for enterprises. We also self-operate our self-developed game products in overseas markets.

During the six months ended 30 June 2020, our revenue mainly originated from our licensed operators/enterprises/game players 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 rights for specific games and services within an agreed period and designated territories; (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; (iii) intellectual property rights service fees which were charged monthly in accordance with the terms of the agreement; and (iv) revenue which was calculated based on the proportion of values converted upon the purchases of in-game virtual items with the values of the game credits consumed during gameplay which was purchased by game players through payment channels.

Our revenue increased by approximately 177.4% from approximately RMB102.8 million for the six months ended 30 June 2019 to approximately RMB285.2 million for the six months ended 30 June 2020. The increase in revenue was mainly due to the increase in revenue brought by the successive launch of several mobile game series from 2017 to 2019, being the Sweeties Fighting (零食大亂鬥) series, the Fish Catching Contest (捕魚大亂鬥) series, the Royal Tycoon (皇家大亨) series, the Super Diglett Fighting (超級地鼠大亂鬥) series and so on.

The following table sets out a breakdown of our revenue for each of the six months ended 30 June 2020 and 2019:

| | For the six months ended 30 June | | | |
|---|----------------------------------|-----------------|---------------------------|-----------------|
| | 2020 | | 2019 | |
| | <i>RMB'000</i> | <i>%</i> | <i>RMB'000</i> | <i>%</i> |
| | <i>(unaudited)</i> | | <i>(unaudited)</i> | |
| Revenue from online games* | 273,715 | 96.0 | 102,823 | 100.0 |
| Self-operated | 27,172 | 9.5 | — | — |
| Licensed operated | 246,543 | 86.5 | 102,823 | 100.0 |
| Intellectual property rights licensing | 11,441 | 4.0 | — | — |
| | 285,156 | 100.0 | 102,823 | 100.0 |

Note :

* Details of the online game revenue are set forth in the sections headed “Online Game Revenue by game platforms and revenue types” and “Online Game Revenue by Game Product Series”.

Revenue by geographical markets

The following table sets forth our revenue from our games based on territories, as determined by the type of currency used to settle accounts with the licensed operators, in absolute amounts and as a percentage of our revenue for each of the six months ended 30 June 2020 and 2019:

| | For the six months ended 30 June | | | |
|-----------------------------|----------------------------------|-----------------|---------------------------|-----------------|
| | 2020 | | 2019 | |
| | <i>RMB'000</i> | <i>%</i> | <i>RMB'000</i> | <i>%</i> |
| | <i>(unaudited)</i> | | <i>(unaudited)</i> | |
| The PRC (place of domicile) | 257,426 | 90.3 | 102,262 | 99.5 |
| Asia Pacific | 27,283 | 9.6 | 236 | 0.2 |
| North America | — | — | 13 | (Note) |
| Europe | 447 | 0.1 | 312 | 0.3 |
| Total | 285,156 | 100.0 | 102,823 | 100.0 |

Note: The figures for these items are not shown due to rounding difference.

Online Game 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 2020 and 2019:

| | For the six months ended 30 June | | | |
|------------------------|----------------------------------|---------------------|-----------------------|---------------------|
| | 2020 | | 2019 | |
| | <i>RMB'000</i> | <i>%</i> | <i>RMB'000</i> | <i>%</i> |
| | (unaudited) | | (unaudited) | |
| Browser version | 684 | 0.2 | 1,840 | 1.8 |
| Royalties | 684 | 0.2 | 1,840 | 1.8 |
| Mobile version | 273,031 | 99.8 | 100,983 | 98.2 |
| License fees | — | — | 530 | 0.5 |
| Royalties | 273,031 | 99.8 | 100,453 | 97.7 |
| Total | <u>273,715</u> | <u>100.0</u> | <u>102,823</u> | <u>100.0</u> |

Online Game Revenue by Game Product Series

The table below sets forth the breakdown of revenue by game series for each of the six months ended 30 June 2020 and 2019:

| | For the six months ended 30 June | | | |
|--|----------------------------------|---------------|--------------------|--------------|
| | 2020 | | 2019 | |
| | RMB'000 | % | RMB'000 | % |
| | (unaudited) | | (unaudited) | |
| Kings & Legends (王者召喚) | 684 | 0.2 | 1,379 | 1.3 |
| Hero's Crown (英雄皇冠) | — | — | 467 | 0.5 |
| Heroines of the Three Kingdoms (姬戰三國) | — | — | 8 | (Note) |
| Road of Vengeance (復仇之路) | — | — | 996 | 1.0 |
| Number Drop | — | — | 228 | 0.2 |
| G-game | — | — | 838 | 0.8 |
| Sweeties Fighting (零食大亂鬥) | 80,755 | 29.5 | 23,636 | 23.0 |
| Super Tycoon (超級大亨) | 236 | 0.1 | 136 | 0.1 |
| Forest Gala (森林大聯歡) | 664 | 0.2 | 382 | 0.4 |
| Fish Catching Contest (捕魚大亂鬥) | 114,393 | 41.8 | 57,994 | 56.4 |
| Super Cute Monster (超級逗萌獸) | 690 | 0.3 | 936 | 0.9 |
| Super Rich (超級大富翁) | — | — | 340 | 0.3 |
| Age of Star Wars (星戰紀) | 20,508 | 7.5 | 3,024 | 3.0 |
| Shaky Battle (晃晃大作戰) | 5,896 | 2.2 | 12,459 | 12.1 |
| Super Diglett Fighting (超級地鼠大亂鬥) | 22,558 | 8.2 | — | — |
| Royal Tycoon (皇家大亨) | 25,364 | 9.3 | — | — |
| Royal Fish Catching (皇家捕魚) | 1,667 | 0.6 | — | — |
| Super Bouncy (超級彈彈彈) | 158 | 0.1 | — | — |
| Jungle Treasure (叢林秘寶) | 142 | (Note) | — | — |
| | 273,715 | 100.0 | 102,823 | 100.0 |

Note: The figure for this item is not shown due to rounding difference.

Direct costs

The Group's direct costs mainly consisted of staff costs and benefits, amortisation of intangible assets, channel costs charged by self-operated game platforms and others. The following table sets forth a breakdown of the Group's direct costs for the reporting periods indicated:

| | For the six months ended 30 June | | | |
|-----------------------------------|----------------------------------|-----------------|-----------------------|-----------------|
| | 2020 | | 2019 | |
| | <i>RMB'000</i> | <i>%</i> | <i>RMB'000</i> | <i>%</i> |
| | (unaudited) | | (unaudited) | |
| Staff costs and benefits | 3,517 | 19.7 | 3,790 | 58.0 |
| Amortisation of intangible assets | 4,237 | 23.8 | 2,032 | 31.1 |
| Self-operated channel costs | 8,168 | 45.9 | — | — |
| Others | 1,883 | 10.6 | 716 | 10.9 |
| Total | 17,805 | 100.0 | 6,538 | 100.0 |

Staff costs and benefits represented salary and benefits of staff who are responsible for making continuous enhancements to and maintenance of our commercially launched games. Staff costs and benefits for the six months ended 30 June 2020 amounted to approximately RMB3.5 million, representing a decrease of approximately 7.9% as compared to approximately RMB3.8 million for the six months ended 30 June 2019.

Amortisation of intangible assets represented the amortisation of intellectual properties for the commercially launched software and games. Amortisation of intangible assets for the six months ended 30 June 2020 amounted to approximately RMB4.2 million, representing a significant increase as compared to approximately RMB2.0 million for the six months ended 30 June 2019. Such increase was mainly attributable to the suspension of operation of the game project Super Bouncy (超級彈彈彈) series as a result of the business realignment of the licensed operators. The unamortised research and development costs of such game were amortised in full, giving rise to an increase in the amortisation of intangible assets.

Self-operated channel costs represented certain proportion of handling fees charged by cooperation platforms with respect to the three games launched, namely Royal Tycoon (皇家大亨) game series, Royal Fish Catching (皇家捕魚) game series and Jungle Treasure (叢林秘寶) game series. Self-operated channel costs for the six months ended 30 June 2020 amounted to approximately RMB8.2 million, while there was no self-operated business in the same period of last year.

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 2020 was due to the significant increase in revenue.

Gross profit and gross profit margin

Our gross profit for the six months ended 30 June 2020 amounted to approximately RMB267.4 million, representing an increase of approximately RMB171.1 million as compared to approximately RMB96.3 million for the six months ended 30 June 2019. Our gross profit margin for the six months ended 30 June 2020 and 2019 was approximately 93.8% and 93.7%, 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 2020, our other income was approximately RMB2.6 million, compared with approximately RMB2.7 million for the same period in 2019.

Research and development costs

Research and development costs primarily comprised (i) salaries for staff engaged in game software and other computer software products (“**software products**”) development and upgrades; and (ii) fees associated with outsourcing production of non-technical elements of software products 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 software products development process typically involves several critical stages from software products inception and evaluation, software products development and programming to commercialisation. In the software products 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 software products inception and evaluation stage are expensed and recognised as software products research costs in the condensed consolidated statement of profit or loss and other comprehensive income. In the software products development and programming stage, development and programming work are commenced, including developing the program source code for our software products, 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 condensed consolidated statement of financial position.

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

| | For six months ended 30 June | |
|---|-------------------------------------|-----------------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (unaudited) | (unaudited) |
| Research and development costs as recognised in condensed consolidated statement of profit or loss and other comprehensive income: | | |
| Super Bouncy (超級彈彈彈) | — | 17 |
| Jungle Treasure (叢林秘寶) | — | 69 |
| Fighting Cells (戰鬥細胞) | — | 84 |
| Demon Conquer of the East Sea (東海降魔) | 58 | — |
| Nishui Tiangang Game Card Reader System (逆水天罡遊戲記牌器系統) | 1,336 | — |
| Texas Game AI System (德州遊戲AI系統) | 1,323 | — |
| | <hr/> | <hr/> |
| Total | 2,717 | 170 |
| | <hr/> | <hr/> |

Distribution costs

Our distribution costs for the six months ended 30 June 2020 amounted to approximately RMB15.1 million, represented an increase of about RMB14.5 million as compared to RMB0.6 million for the same period in 2019. The increase was mainly attributable to the increase in the salaries and benefits of promotional personnel and the increase in promotional costs of games which are self-operated overseas.

Administrative expenses

The Group's administrative expenses primarily comprised salaries and employee benefits expenses, operating lease rental expenses, audit fees, legal and professional fees, listing expenses, depreciation of property, plant and equipment, depreciation of right-of-use assets, exchange difference 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 | | | |
|---|-------------------------------------|---------------------|-----------------------|---------------------|
| | 2020 | | 2019 | |
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % |
| | (unaudited) | | (unaudited) | |
| Salaries and employee benefits | 4,576 | 25.6 | 4,904 | 28.4 |
| Legal and professional fees | 554 | 3.1 | 550 | 3.2 |
| Professional fees for transfer of listing to Main Board | — | — | 5,316 | 30.8 |
| Depreciation of property, plant and equipment | 1,243 | 7.0 | 388 | 2.3 |
| Depreciation of right-of-use assets | 1,038 | 5.8 | 1,280 | 7.4 |
| Exchange difference | 6,761 | 37.9 | 1,228 | 7.1 |
| Others | 3,674 | 20.6 | 3,604 | 20.8 |
| Total | <u>17,846</u> | <u>100.0</u> | <u>17,270</u> | <u>100.0</u> |

The Group's administrative expenses for the six months ended 30 June 2020 amounted to approximately RMB17.8 million, representing an increase of approximately 2.9% as compared to approximately RMB17.3 million for the six months ended 30 June 2019. The increase in the Group's administrative expenses was mainly attributable to the increase in amortisation of the renovation expense in relation to the newly leased operating premise of approximately RMB0.4 million during the Reporting Period, the increase in exchange difference resulting from the distribution of final dividend to the overseas parent company by the domestic subsidiaries in the PRC of approximately RMB5.5 million, and the decrease in professional fees for transfer of listing to Main Board of approximately RMB5.3 million.

Income tax expense

Our income tax expense for the six months ended 30 June 2020 amounted to approximately RMB41.4 million while we recorded RMB19.9 million for the six months ended 30 June 2019. The increase in our income tax expense was mainly because of the fact that the profits of the PRC subsidiaries of the Group increased significantly during the Reporting Period as compared to the same period in 2019 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 213.2% from approximately RMB61.3 million for the six months ended 30 June 2019 to approximately RMB192.0 million for the six months ended 30 June 2020.

Liquidity and Financial Resources

For the six months ended 30 June 2020, 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 2020, 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 2020, our cash and cash equivalents amounted to approximately RMB459.9 million, compared with approximately RMB248.5 million as of 31 December 2019, which primarily consisted of cash at bank and cash in hand and which are mainly denominated in RMB (as to approximately 44.6%), HKD (as to approximately 2.3%), THB (as to approximately 2.3%) and USD (as to approximately 50.8%).

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 2020, our total capital expenditures amounted to approximately RMB0.6 million, representing the purchase of furniture and office equipment (the six months ended 30 June 2019: approximately RMB0.6 million, representing the purchase of furniture and office equipment). We funded our capital expenditure by using our cash flow generated from our operations.

Capital Structure

The Shares were listed on GEM of the Stock Exchange on 18 February 2016. 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 2020, we did not have any short-term or long-term bank borrowings.

As at 30 June 2020, the gearing ratio of the Group, calculated as total liabilities divided by total assets, was approximately 7.3% (31 December 2019: approximately 10.5%).

Charge on Group Assets

As at 30 June 2020, no assets of the Group was pledged as a security for bank borrowings or any other financing facilities (31 December 2019: Nil).

Information on Employees and Remuneration Policy

As at 30 June 2020, the Group had 190 employees (30 June 2019: 145), who mainly worked and were located in the PRC and Thailand. The table below sets forth the number of employees by function as at 30 June 2020 and 2019:

| Department | As of 30 June | | | |
|-----------------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|
| | 2020 | | 2019 | |
| | <i>Number of employees</i> | <i>% of total employees</i> | <i>Number of employees</i> | <i>% of total employees</i> |
| Management | 7 | 4% | 7 | 5% |
| Project Development | 111 | 58% | 91 | 63% |
| Game design | 22 | 11% | 16 | 11% |
| Programming | 63 | 33% | 53 | 37% |
| Art | 26 | 14% | 22 | 15% |
| Project Support | 57 | 30% | 35 | 24% |
| Marketing | 14 | 7% | 4 | 3% |
| Licensing and operator support | 32 | 17% | 23 | 16% |
| Information technology | 11 | 6% | 8 | 5% |
| Finance and Administration | 15 | 8% | 12 | 8% |
| Total | 190 | 100% | 145 | 100% |

The total remuneration of the employees of the Company was approximately RMB10.4 million for the six months ended 30 June 2020 (same period in 2019: approximately RMB9.6 million).

The Company has established the Remuneration Committee with written terms of reference in compliance with Chapter 3 of the 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 organises 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 2020.

Contingent Liabilities

As at 30 June 2020, the Group did not have any significant contingent liabilities (31 December 2019: 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 9.7% of the revenue are denominated in currencies other than the functional currency of the operating units making the sales for the six months ended 30 June 2020 (30 June 2019: approximately 0.5%). Therefore, foreign exchange risks primarily arose from recognised assets in the Group when receiving or planning to receive foreign currencies from overseas cooperated counter parties.

Approximately 90.3% (30 June 2019: approximately 99.5%) 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, HKD and THB.

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 without further issuance of Shares.

As at 30 June 2020, the Group has spent approximately HK\$26.0 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\$7.2 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\$1.6 million on enhancing our game development capabilities, approximately HK\$3.6 million on the acquisition/investment of game developers, approximately HK\$2.0 million on the acquisition/purchase of the adaption rights of source materials and related companies and approximately HK\$1.5 million for working capital and other general corporate uses). The Group continues to seek opportunities to obtain/acquire the adaptation rights of appropriate source materials.

As at 30 June 2020, the Company's use of proceeds from the Placing is set out as follows:

| | | | 30 June 2020 Amount used <i>HKD million</i> | 30 June 2020 Amount used <i>percentage</i> | 30 June 2020 Amount unused <i>HKD million</i> | 30 June 2020 Amount unused <i>percentage</i> |
|--|--|---|---|--|---|--|
| | Original allocation <i>HKD million</i> | Original allocation <i>percentage</i> | | | | |
| Continual optimisation of our existing games on various platforms | 2.9 | 10.0% | 2.9 | 10.0% | — | — |
| Development of new games — Browser games | 7.2 | 25.0% | 7.2 | 24.9% | — | — |
| Development of new games — Mobile games | 7.2 | 25.0% | 7.2 | 24.9% | — | — |
| Seeking opportunities to obtain/ acquire the adaption rights of appropriate source materials | 3.6 | 12.5% | 2.0 | 7.0% | 1.6 | 5.5% |
| Acquiring off/investment in game developers and related companies | 3.6 | 12.5% | 3.6 | 12.5% | — | — |
| Enhancement and diversification of our game development capabilities | 2.9 | 10.0% | 1.6 | 5.5% | 1.3 | 4.5% |
| Working capital and other general corporate purposes | 1.5 | 5.0% | 1.5 | 5.2% | — | — |
| Total | 28.9 | 100.0% | 26.0 | 90.0% | 2.9 | 10.0% |

Earnings Per Share

The calculation of earnings per share is based on the profit attributable to owners of the Company of approximately RMB192.0 million or earnings per share of approximately RMB60.00 cents for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately RMB61.3 million or earnings per share of approximately RMB19.17 cents) and the weighted average number of 320,000,000 ordinary shares (six months ended 30 June 2019: 320,000,000 ordinary shares) in issue.

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 2020 and 2019.

Dividends

On 9 March 2020, a final dividend, in the form of a cash dividend of HK\$0.09375 per share (equivalent to approximately RMB0.0825 per share) in respect of the year ended 31 December 2019 has been proposed by the Board and was approved by the shareholders in the annual general meeting held on 17 April 2020.

Save as disclosed above, the Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 Listing Rules as its own code of corporate governance practices.

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

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 2020.

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. Chen Di and Mr. Yang Zhen, 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 2020 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 2020 complied with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

CHANGE IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Change in Directors, supervisors and senior management during the Reporting Period

During the Reporting Period, there was no change in the Directors, supervisors and senior management of the Company.

Change in Directors, supervisors and senior management subsequent to the Reporting Period

(1) Mr. Wu Zhe resigned as executive Director and compliance officer; and (2) Mr. Rao Zhenwu resigned as executive Director with effect from 10 August 2020 due to their other personal commitments which require more of their dedication. Mr. Zhou Kun was appointed as an executive Director of the Company with effect from 10 August 2020. For details, please refer to the Company's announcement dated 10 August 2020 and supplemental announcement dated 12 August 2020.

Save as disclosed above in this interim results announcement, after the Reporting Period, there were no other changes in the Directors, supervisors and senior management of the Company.

Events after the Reporting Period

As at 30 June 2020, the authorised share capital of the Company is HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each, of which 320,000,000 Shares have been issued and are fully paid or credited as fully paid.

On 28 July 2020, the board of the Company proposed to subdivide each of the existing issued and unissued Shares of HK\$0.01 each in the share capital into three subdivided shares of par value of one third Hong Kong cent each. Upon the share subdivision becoming effective, the authorised share capital of the Company would be HK\$20,000,000 divided into 6,000,000,000 subdivided shares of par value of one third Hong Kong cent each, of which 960,000,000 subdivided shares will be in issue and fully paid or credited as fully paid. The proposal of share subdivision was approved by the Shareholders in the extraordinary general meeting on 17 August 2020. All the conditions precedent to the share subdivision were fulfilled and the share subdivision became effective on 19 August 2020. The share subdivision has become effective on 19 August 2020. For further information, please refer to the Company's announcements dated 20 July 2020 and 18 August 2020, respectively, and the Company's circular dated 28 July 2020.

Save as disclosed above in this interim results announcement, after the Reporting Period, there are no material events that need to be disclosed.

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 2020 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, Friday, 28 August 2020

As at the date of this announcement, the executive Directors are Mr. Huang Yong and Mr. Zhou Kun; the non-executive directors are Mr. Zhang Yan and Ms. Yang Kan and the independent non-executive Directors are Mr. Chan King Fai, Mr. Chen Di and Mr. Yang Zhen.